Banco Nacional de Crédito, C.A., Banco Universal

Report of Independent Accountants and Financial Statements
December 31 and June 30, 2014

Report of Independent Accountants

To the Shareholders and Board of Directors of
Banco Nacional de Crédito, C.A., Banco Universal

Report on the financial statements

We have audited the accompanying financial statements of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) and its Curacao Branch (the Branch), which comprise the balance sheet at December 31 and June 30, 2014, and the related statements of income, changes in equity and cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN), which are of mandatory use for the Venezuelan banking system. As described in Note 2, these rules differ in certain significant respects from accounting principles generally accepted in Venezuela. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit qualified opinion.

Basis for a qualified opinion

As described in Note 6, at December 31, 2014, the Bank has loans for Bs 2,362,068,978 with a group of debtors and maintains a provision of Bs 723,053 in this connection. Through Notice No. SIB-II-GGIBPV-GIBPV2-40911 of November 19, 2014, SUDEBAN established a required provision of Bs 82,031,410 for these debtors. Through communication of December 17, 2014, the Bank explained to SUDEBAN its reasons for maintaining that level of provision and to date is awaiting response from this regulatory body. We are unable to determine the reasonableness of the allowance for losses on loan portfolio at December 31, 2014 until a response is received from SUDEBAN.

Qualified opinion

In our opinion, except for the possible effects, if any, of the matter described in the basis for a qualified opinion, on the financial statements at December 31, 2014, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch at December 31 and June 30, 2014, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

Espiñeira, Pacheco y Asociados

Juan J. Camacho
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February 19, 2015

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In bolivars)	
Assets		
Cash and due from banks (Notes 3, 4 and 29)	20,462,610,849	15,703,648,751
Cash	2,046,443,087	1,594,435,762
Central Bank of Venezuela	16,674,868,432	12,462,608,417
Venezuelan banks and other financial institutions	50,719	208,549
Foreign and correspondent banks	413,248,941	416,432,874
Pending cash items	1,328,337,742	1,229,970,701
(Provision for cash and due from banks)	(338,072)	(7,552)
Investment securities (Note 5)	14,045,345,778	13,598,383,929
Deposits with the BCV and overnight deposits	225,000,000	450,000,000
Investments in available-for-sale securities	4,612,645,386	4,975,326,543
Investments in held-to-maturity securities	5,171,158,548	5,289,800,977
Restricted investments	72,552,100	39,936,832
Investments in other securities	3,964,089,744	2,843,419,577
(Provision for investment securities)	(100,000)	(100,000)
Loan portfolio (Note 6)	35,206,843,904	25,215,993,960
Current	35,872,477,244	25,591,020,727
Rescheduled	109,846,710	139,165,783
Overdue	17,299,203	16,857,285
(Allowance for losses on loan portfolio)	(792,779,253)	(531,049,835)
Interest and commissions receivable (Note 7)	524,382,914	431,120,045
Interest receivable on investment securities	224,124,392	221,664,902
Interest receivable on loan portfolio	301,649,267	213,847,211
Commissions receivable	2,867,118	1,632,332
(Provision for interest receivable and other)	(4,257,863)	(6,024,400)
Investment in subsidiaries, affiliates and branches (Note 8)	-	-
Available-for-sale assets (Note 9)	377,624	2,095,167
Property and equipment (Note 10)	1,153,706,841	867,097,965
Other assets (Notes 11 and 12)	932,433,210	516,349,509
Total assets	72,325,701,120	56,334,689,326
Memorandum accounts (Note 22)		
Contingent debtor accounts	3,705,757,005	1,640,361,351
Assets received in trust	2,848,162,028	1,809,370,477
Debtor accounts from other special trust services (Housing Loan System)	1,080,478,913	895,919,741
Other debtor memorandum accounts	89,146,883,449	77,658,420,857
	96,781,281,395	82,004,072,426

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In bolivars)	
Liabilities and Equity		
Customer deposits (Note 13)	65,678,567,284	51,140,550,242
Demand deposits	47,136,733,298	37,597,461,348
Non-interest-bearing checking accounts	31,674,664,748	22,847,715,361
Interest-bearing checking accounts	7,711,219,365	8,009,033,127
Checking accounts under Exchange Agreement No. 20	142,938,821	317,304,412
Demand deposits and certificates	7,607,910,364	6,423,408,448
Other demand deposits	712,919,585	649,858,256
Savings deposits	14,313,243,665	10,290,518,717
Time deposits	3,481,047,991	2,541,575,613
Restricted customer deposits	34,622,745	61,136,308
Borrowings (Note 14)	2,358,876	64,259,289
Venezuelan financial institutions, up to one year	1,339,678	723,438
Foreign financial institutions, up to one year	1,019,198	63,535,851
Other liabilities from financial intermediation (Note 15)	11,666,667	25,485,703
Interest and commissions payable (Note 16)	83,570,512	56,037,205
Expenses payable on customer deposits	83,570,512	55,905,382
Expenses payable on other liabilities	-	131,823
Accruals and other liabilities (Note 17)	1,178,730,340	998,258,726
Total liabilities	66,954,893,679	52,284,591,165
Equity (Note 25)		
Capital stock	881,930,372	623,930,372
Contributions pending capitalization	833,851,806	380,029,665
Capital reserves	534,007,772	462,473,987
Retained earnings	1,838,644,395	1,367,182,996
Exchange gain from holding foreign currency assets and liabilities	1,107,258,629	1,107,009,134
Net unrealized gain on investments in available-for-sale securities (Note 5)	175,114,467	109,472,007
Total equity	5,370,807,441	4,050,098,161
Total liabilities and equity	72,325,701,120	56,334,689,326

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Income statement
Six-month periods ended December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In bolivars)	
Interest income	3,751,713,646	2,604,116,228
Income from cash and due from banks	103,552	23,665
Income from investment securities	731,513,339	640,836,689
Income from loan portfolio	2,643,239,300	1,838,093,077
Income from other accounts receivable	376,851,526	125,140,141
Other interest income	5,929	22,656
Interest expense	(1,275,275,244)	(856,052,848)
Expenses from customer deposits	(1,271,705,077)	(844,418,935)
Expenses from borrowings (Note 14)	(2,609,622)	(752,514)
Other interest expense	(960,545)	(10,881,399)
Gross financial margin	2,476,438,402	1,748,063,380
Income from financial assets recovered (Notes 6 and 7)	8,613,804	5,139,906
Expenses from uncollectible loans and other accounts receivable (Notes 6 and 7)	(286,065,843)	(173,471,412)
Expenses from provision for cash and due from banks	(338,072)	(8,052)
Net financial margin	2,198,648,291	1,579,723,822
Other operating income (Note 19)	550,272,162	475,980,056
Other operating expenses (Note 20)	(210,060,800)	(279,401,008)
Financial intermediation margin	2,538,859,653	1,776,302,870
Operating expenses	(1,825,943,799)	(1,329,455,617)
Salaries and employee benefits (Note 2-j)	(552,415,807)	(399,912,941)
General and administrative expenses (Note 21)	(908,238,783)	(654,725,956)
Fees paid to the Social Bank Deposit Protection Fund (Note 27)	(335,161,676)	(252,954,446)
Fees paid to the Superintendency of Banking Sector Institutions (Note 28)	(30,127,533)	(21,862,274)
Gross operating margin	712,915,854	446,847,253
Income from available-for-sale assets (Note 9)	355,100	49,429,671
Sundry operating income (Note 19)	12,595,309	51,904,345
Expenses from available-for-sale assets (Note 9)	(1,938,678)	(4,737,268)
Sundry operating expenses (Note 20)	(69,468,013)	(55,399,977)
Net operating margin	654,459,572	488,044,024
Extraordinary income	1,036,338	558,605
Extraordinary expenses	(2,543,790)	(2,545,273)
Gross income before tax	652,952,120	486,057,356
Income tax (Note 18)	(636,170)	(1,196,006)
Net income	652,315,950	484,861,350
Appropriation of net income		
Legal reserve	65,231,595	96,972,270
Retained earnings	587,084,355	387,889,080
	652,315,950	484,861,350
Provision for the Antidrug Law (Notes 1 and 20)	6,589,050	4,910,034

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Statement of changes in equity
Six-month periods ended December 31 and June 30, 2014

	Paid-in capital stock	Share premium and contributions pending capitalization	Capital reserves	Retained earnings				Exchange gain from holding foreign currency assets and liabilities	Unrealized gain (loss) on investment securities (Note 5)	Total equity
				Unappropriated surplus	Restricted surplus	Non-distributable surplus	Total			
					(In bolivars)					
Balances at December 31, 2013	623,930,372	315,837,058	362,382,065	507,051,130	441,922,198	35,435,542	984,408,870	431,509,292	270,792,096	2,988,859,753
Contributions pending capitalization (Note 25)	-	64,192,607	-	-	-	-	-	-	-	64,192,607
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	(161,320,089)	(161,320,089)
Adjustment per SUDEBAN instructions through Notice No. SIB-II-GGIBPV-GIBPV2-20386 of June 17, 2014	-	-	-	-	-	(1,995,302)	(1,995,302)	-	-	(1,995,302)
Net gain on sale of foreign currency assets through the Alternative Currency Exchange System (SICAD II) (Notes 3 and 5)	-	-	-	-	-	-	-	675,499,842	-	675,499,842
Net income	-	-	-	484,861,350	-	-	484,861,350	-	-	484,861,350
Appropriation to the legal reserve (Note 25)	-	-	96,972,270	(96,972,270)	-	-	(96,972,270)	-	-	-
Creation of the Social Contingency Fund (Note 25)	-	-	3,119,652	(3,119,652)	-	-	(3,119,652)	-	-	-
Reclassification of net income of the Curacao Branch (Note 25)	-	-	-	(6,450,845)	-	6,450,845	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 25)	-	-	-	(190,719,118)	190,719,118	-	-	-	-	-
Balances at June 30, 2014	623,930,372	380,029,665	462,473,987	694,650,595	632,641,316	39,891,085	1,367,182,996	1,107,009,134	109,472,007	4,050,098,161
Contributions pending capitalization (Note 25)	-	601,822,141	-	-	-	-	-	-	-	601,822,141
Capital increase through public offering of shares (Note 25)	25,000,000	(25,000,000)	-	-	-	-	-	-	-	-
Capital increase through capitalization of share premium (Note 25)	123,000,000	(123,000,000)	-	-	-	-	-	-	-	-
Capital increase through capitalization of retained earnings (Note 25)	110,000,000	-	-	-	(110,000,000)	-	(110,000,000)	-	-	-
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	65,642,460	65,642,460
Net gain on sale of foreign currency assets through SICAD II (Note 5)	-	-	-	-	-	-	-	249,495	-	249,495
Net income	-	-		652,315,950	-	-	652,315,950	-	-	652,315,950
Appropriation to the legal reserve (Note 25)	-	-	65,231,595	(65,231,595)	-	-	(65,231,595)	-	-	-
Creation of the Social Contingency Fund (Note 25)	-	-	6,302,190	(5,622,956)	-	-	(5,622,956)	-	-	679,234
Reclassification of net income of the Curacao Branch (Note 25)	-	-	-	(2,927,647)	-	2,927,647	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 25)	-	-	-	(292,078,354)	292,078,354	-	-	-	-	-
Balances at December 31, 2014	881,930,372	833,851,806	534,007,772	981,105,993	814,719,670	42,818,732	1,838,644,395	1,107,258,629	175,114,467	5,370,807,441

Net income per share (Note 2-n)

	Six-month periods ended	
	December 31, 2014	June 30, 2014
Weighted average of outstanding shares	789,168,467	623,930,372
Income per share	0.827	0.777

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Cash flow statement
Six-month periods ended December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In bolivars)	
Cash flows from operating activities		
Net income	652,315,950	484,861,350
Adjustments to reconcile net income to net cash provided by operating activities		
Allowance for losses on loan portfolio	285,536,652	173,471,412
Provision for interest receivable	529,191	-
Provision for other assets	19,032,157	11,566,511
Depreciation of property and equipment and amortization of available-for-sale and other assets	80,948,258	64,267,051
Accrual for length-of-service benefits	103,995,239	71,804,400
Transfers to trust fund and payment of length-of-service benefits	(59,957,246)	(50,673,642)
Income tax provision	18,969	1,246,245
Deferred tax asset	617,201	(50,239)
Net change in		
Overnight deposits	225,000,000	142,996,000
Interest and commissions receivable	(95,468,409)	(119,933,769)
Other assets	(465,190,080)	(157,378,312)
Accruals and other liabilities	145,806,914	28,116,373
Net cash provided by operating activities	893,184,796	650,293,380
Cash flows from financing activities		
Contributions pending capitalization	601,822,141	64,192,607
Net change in		
Customer deposits	14,538,017,042	12,667,214,670
Borrowings	(61,900,413)	62,460,833
Other liabilities from financial intermediation	(13,819,036)	(83,825,338)
Interest and commissions payable	27,533,307	37,905,347
Net cash provided by financing activities	15,091,653,041	12,747,948,119
Cash flows from investing activities		
Loans granted during the period	(27,263,727,121)	(16,620,301,970)
Loans collected during the period	16,979,624,612	10,745,592,385
Equity adjustments for participation in SICAD II transactions (Note 25)	249,495	675,499,842
Net change in		
Investments in available-for-sale securities	428,323,617	(61,807,617)
Investments in held-to-maturity securities	118,642,429	(1,999,566,346)
Restricted investments	(31,936,034)	(6,031,911)
Investments in other securities	(1,120,670,167)	(876,372,337)
Available-for-sale assets	(221,135)	16,031,158
Property and equipment	(336,161,435)	(195,069,582)
Net cash used in investing activities	(11,225,875,739)	(8,322,026,378)
Cash and due from banks		
Net change in cash and cash equivalents	4,758,962,098	5,076,215,121
At the beginning of the period	15,703,648,751	10,627,433,630
At the end of the period	20,462,610,849	15,703,648,751
Supplementary information on non-cash activities		
Write-off of uncollectible loans (principal)	16,091,321	-
Write-off of uncollectible loans (interest)	619,379	-
Reclassification of excess in (Notes 6 and 7)		
Allowance for losses on loan portfolio to provision for contingent loans	9,392,262	(153,283)
Provision for interest receivable to allowance for losses on loan portfolio	(1,676,349)	274,261
Provision for interest receivable to provision for contingent loans	-	(3,670,387)
Net change in unrealized gain (loss) on investments in available-for-sale securities	65,642,460	(161,320,089)
Creation of the Social Contingency Fund	6,302,190	3,119,652
Reclassification of equity to deferred income per SUDEBAN instructions	-	1,995,302

The accompanying notes are an integral part of the financial statements

1. Activities and regulatory environment

Banco Nacional de Crédito, C.A., Banco Universal (hereinafter the Bank) was authorized to operate as a commercial bank in Venezuela in February 2003 under the name Banco Tequendama, S.A. and as a universal bank on December 2, 2004. Its business objective is to provide financial intermediation consisting in the procurement of funds for the purpose of granting credits or loans and investing in securities.

The Bank is incorporated and domiciled in the Bolivarian Republic of Venezuela. Its legal address is: Avenida Vollmer, Torre Sur del Centro Empresarial Caracas, Urbanización San Bernardino, ZP 1010.

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At December 31 and June 30, 2014, the Bank has 167 and 163 offices and external counters, respectively, a branch in Curacao, a main office and 3,177 and 3,039 employees, respectively.

The Bank's shares are traded on the Caracas Stock Exchange (Note 25).

The Bank conducts transactions with related companies (Note 26).

The Bank's financial statements at December 31 and June 30, 2014 were approved for issue by the Board of Directors on January 14, 2015 and July 9, 2014, respectively.

In August 2003, the Superintendency of Banking Sector Institutions (SUDEBAN) issued Resolution No. 202-03 dated August 4, 2003, published in Official Gazette No. 37,748 on August 7, 2003, authorizing the Bank's fiduciary operations.

The new Law on Banking Sector Institutions (hereinafter the Law on Banking Sector Institutions) issued by the Venezuelan government on November 13, 2014 through Official Gazette of December 8, 2014 repealed the previous Law of December 2010.

This Law, among other things, considers banking as a public service; defines financial intermediation as fundraising for investment in loan portfolios and securities issued or guaranteed by the Venezuelan government or government agencies; extends disqualification instances to act as directors; prohibits the formation of financial groups understood as a group of banks, non-banking institutions, financial institutions and companies constituting a decision-making or management unit; establishes connecting criteria, requires boards of directors to approve lending operations exceeding 5% of equity; establishes a social contribution of 5% of pre-tax income for the fulfillment of social responsibilities to finance projects developed by communal councils, limits consumer credits to 20% of the bank's loan portfolio, transactions for a single debtor to 10% of equity and to 20% with bank or other appropriate guarantees and; defines 'debtor' in relation to this limitation, among others.

According to the temporary provisions of the new Law, banks have a 30-day deadline to submit to SUDEBAN a plan to conform to the new legislation.

Through Circular SIB-DSB-CJ-OD-42351 of December 11, 2014, SUDEBAN informed that the 30-day deadline to submit the plan to conform to the new legislation shall be counted as from December 8, 2014. The Bank submitted the Adjustment Plan to SUDEBAN on January 7, 2015.

The Bank's activities are ruled by the Law on Banking Sector Institutions, the Stock Market Law, the commercial law (the Venezuelan Code of Commerce), the financial law (Law of the National Financial System), any other applicable laws, regulations issued by the Venezuelan government and provisions issued by the Higher Authority of the National Financial System (OSFIN), the Central Bank of Venezuela (Banco Central de Venezuela - BCV) and the Venezuelan Securities Superintendency (SNV), as well as the prudential rules and other instructions of SUDEBAN.

The OSFIN will establish rules for citizens to participate in the supervision of the financial management and social controllership of the parties to the National Financial System, will protect user rights, and will promote collaboration among the sectors of the productive economy, including the popular and communal sectors.

The Law of the National Financial System is aimed at regulating, supervising, controlling and coordinating the National Financial System in order to ensure that financial resources are used and invested for the public interest and for economic and social development with a view to creating a social and democratic State ruled by Law and Justice. The National Financial System is formed by the group of public, private and communal financial institutions and any other form of organization operating in the banking sector, the insurance sector, the stock market and any other sector or group of financial institutions that the policy-making body deems should form part of the system. Individuals and corporations that are users of the financial institutions belonging to the system are also included.

Curacao Branch
The banking activities of the Bank's Curacao Branch (hereinafter the Branch) are regulated by the Law of Banks of Curacao and St. Maarten. The Branch is not an economically independent entity and conducts transactions following the Bank's guidelines. The Branch operates under an off-shore license granted by the Central Bank of Curacao and St. Maarten and SUDEBAN in Venezuela. Capital assigned to the Branch has been contributed by the Bank (Note 8).

Other laws that regulate the Bank's activities are described below:

Agricultural Loan Law
The Agricultural Loan Law requires the People's Power Ministry for the Economy and Finance and the People's Power Ministry for Agriculture and Land to jointly fix within the first month of each year the minimum percentage of the loan portfolio to be earmarked by each universal bank to finance agriculture.

On May 15, 2014, the aforementioned ministries established the minimum percentages of the loan portfolio to be earmarked by each universal bank to finance agriculture during 2014. This percentage is calculated based on the gross loan portfolio at December 31, 2013 and 2012 of each universal bank, and must be applied as follows: 21% in February, March and April; 22% in May; 23% in June; 24% in July, August and September; 25% in October, November and December (Note 6).

This Resolution also established that universal banks must grant medium and long-term loans representing at least 20% of the total agricultural loan portfolio. In addition, this Resolution requires the number of new individual and company borrowers of the agricultural loan portfolio to be increased by 10% with respect to total agricultural borrowers at prior year end. Universal banks must distinguish between agricultural loan borrowers maintained at prior year end and new borrowers for a given year subject to measurement. Moreover, the Resolution establishes how the total quarterly balance of each bank's agricultural loan portfolio must be distributed between strategic and non-strategic crops, agroindustrial investment and marketing (Note 6).

Also the Resolution establishes that as from April 2014 banks shall discount 0.5% of agricultural loans settled and transfer this amount to the People's Power Ministry for Agriculture and Land on a monthly basis. This balance will be attributable to the respective loans and, therefore, financed under the same terms and conditions established for each credit operation.

According to the Resolution, only 5% of loans earmarked for strategic primary agricultural production may be granted without guarantees to borrowers meeting the following conditions:

1. Borrowers must be individuals who are small producers.

2. Borrowers may not have another current agricultural loan with any public or private universal bank at the loan application date.

3. The primary production project must be viable.

To comply with the aforementioned percentages, financial institutions may alternatively place funds with public banks or contribute them to the Fund for Social Agricultural Development (FONDAS) in the form of capital contributions to the Sociedad de Garantías Recíprocas para el Sector Agropecuario, Forestal, Pesquero y Afines, S.A. (S.G.R. SOGARSA, S.A.), provided that the receiving entity ultimately uses the funds to grant agricultural loans, in accordance with the terms and conditions approved by the Agricultural Loan Monitoring Committee. Any such funds that are not used directly by the receiving entity for agricultural loans may be returned at the Bank's request after it has solved the loan deficit that motivated the contribution of funds in the first place, but in no event before the financial instrument agreed between the parties matures.

Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty

The Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty was enacted on August 3, 2009. Subsequently, on September 17, 2009, April 1, 2011 and July 2, 2012, through a joint resolution, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Agriculture and Land established the special terms and conditions for debt restructuring and the procedures and requirements for filing and issuing response notices for agricultural debt restructuring and relief requests.

Agricultural Aid Law

The Agricultural Aid Law was enacted on May 23, 2012 to meet the needs of producers, farmers and fishermen who were affected by the floods that hit the country in late 2010.

Through Resolution No. 027-13 of March 18, 2013, SUDEBAN set forth the conditions for risk management for restructured loans, as provided in the Agricultural Aid Law. In addition, through Resolution No. 028-13 of March 18, 2013, SUDEBAN established the special terms and conditions concerning information requirements and the creation of provisions to cover risks arising from agricultural loans.

Subsequently, the new Agricultural Aid Law became effective on June 19, 2014. This Law establishes the rules governing benefits, payment facilities and restructuring of agricultural loans for the production of strategic crops for food security and sovereignty when repayment is partially or fully impacted by environmental, biological or physical damages that significantly affect the production and development capacity of productive units.

This Law will benefit individuals or corporations that had received agricultural loans to sow crops, purchase raw materials, machinery, equipment and livestock, build and improve infrastructure, reactivate distribution centers and finance working capital in relation to the production of strategic crops.

The beneficiaries who received loans to finance the strategic crops defined under the Law shall be granted partial or full debt relief by public and private banks.

Law for Creating, Supporting, Promoting and Developing the Microfinancial Business Sector

This Law aims to create, support, promote and develop the microfinancial sector to facilitate the prompt and timely access to financial and non-financial services, to popular community and self-managed associations, family companies, self-employed and unemployed individuals and to any other type of community association that develops or has the intention of developing an economic activity, with the purpose of integrating them to the country's economic and social dynamics.

In addition, the Law on Banking Sector Institutions establishes that banks must earmark 3% of their gross loan portfolio at prior semester closing for microcredits or contributions to institutions that create, support, promote and develop the microfinancial and small business sector in Venezuela.

Special Law for Home Mortgagor Protection

This Law requires banks and other financial institutions regulated by the Law on Banking Sector Institutions to grant mortgage loans for acquisition, construction, self-construction, expansion or remodeling of primary residences, based on a percentage of their annual loan portfolio, excluding loans granted under the Housing Loan Law. Under this Law, loans will bear a social interest rate.

The BCV, through an official notice, established special social interest rates applicable as from September 2011 for primary residence mortgages and construction loans, granted or to be granted from the financial institutions' own resources as follows:

a. The maximum annual social interest rate applicable to loans granted under the Special Law for Home Mortgagor Protection is 10.66%.

b. The maximum annual social interest rate applicable to mortgage loans for the acquisition of primary residences, granted or to be granted from the financial institutions' own resources varies between 4.66% and 8.66%, depending on the monthly family income.

c. The maximum annual social interest rate applicable to mortgage loans for the construction of primary residences, granted or to be granted from the financial institutions' own resources, is 9.66%.

d. The maximum annual social interest rate applicable to mortgage loans for the improvement, expansion and self-construction of primary residences varies between 4.66% and 6.6%, depending on the monthly family income.

The People's Power Ministry for Housing established that maximum monthly installments for mortgage loan payments shall not exceed 35% of the monthly family income.

Mortgage loans may be granted for up to the full value of the real property pledged, based on its appraisal value and the monthly family income.

On May 8, 2014, the People's Power Ministry for Housing fixed at 20% the minimum percentage of the annual gross loan portfolio to be earmarked by each universal bank from its own resources for mortgages for the acquisition, construction or self-construction of primary residences. At December 31, 2014, this percentage shall be distributed based on the gross loan portfolio at December 31, 2013, taking into account the financed activity and the monthly family income of the loan applicants (Note 6).

The distribution of the percentage for the construction of residences shall be defined by the Higher Authority of the National Housing System.

The measurement of long-term mortgage loans for the acquisition of primary residences is calculated based on: a) the balances of long-term mortgage loans granted at December 31 of the year preceding the year subject to measurement and b) loans actually granted during the year preceding the year subject to measurement. The measurement of short-term mortgage loans granted for construction of primary residences is calculated based on actual payments made during the year preceding the year subject to measurement.

On August 2, 2011, the People's Power Ministry for Housing established the financing conditions for each type of loan regardless of the source of funds. Some of these conditions are: maximum debt capacity of the loan applicant or co-applicant, required guarantees, and the general requirements for the loan applicant and co-applicant. On September 6, 2011, the People's Power Ministry for Planning and Finance set the annual social interest rates at between 1.4% and 4.66%.

On February 5, 2013, the People's Power Ministry for Housing issued Resolutions Nos. 10 and 11 containing the guidelines for granting loans for the self-construction, expansion or improvement of primary residences, as well as the rules for the creation and setting of payment terms for housing loans.

Compliance with and distribution of the aforementioned percentages are measured at December 31 of each year.

Law on Tourism Investments and Loans
The Law on Tourism Investments and Loans was issued on November 17, 2014, and published in Extraordinary Official Gazette No. 6,153 of November 18, 2014. This Law requires the People's Power Ministry for Tourism to fix within the first month of each year the percentage of the gross loan portfolio to be earmarked by banks to finance tourism, which in no event shall be less than 3%. Short, medium and long-term loans must be included in the loan portfolio percentage. The interest rate may only be modified for the benefit of the loan applicant and loans shall be repaid in equal consecutive monthly installments.

In addition, this Law establishes amortization periods between 5 and 15 years depending on the activities to be conducted by loan applicants. This Law also establishes special conditions in respect of terms, interest rates and subsidies, among others, for projects to be executed in tourist areas, potential tourist areas or endogenous tourist development areas.

Furthermore, tourism guarantees are created within the National System for Reciprocal Guarantees for loans granted.

On March 7, 2014, the People's Power Ministry for Tourism established at 4.25% the minimum percentage of the gross loan portfolio to be earmarked by each universal bank to finance tourism. This percentage is calculated based on the gross loan portfolio balance at December 31, 2012 and 2013 and must be applied as follows: 2% at June 30, 2014 and 4.25% at December 31, 2014.

This Law does not establish the distribution by segments of the total monthly balance of each bank's tourism loan portfolio, as the previous Law did.

Through a resolution published in Official Gazette No. 40,274 on October 17, 2013, the People's Power Ministry for Tourism established a single voluntary contribution from banks for the purchase of Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (S.G.R. SOGATUR, S.A.). The purpose of this contribution is to pledge small and medium-sized tourist entrepreneurs or service providers, as well as organized communities, to secure repayment of tourism loans granted by banks. The entire purchase of shares will be accounted for as part of the tourism loan portfolio compliance (Notes 5 and 6).

Through a joint resolution, published in Official Gazette No. 39,402 on April 13, 2010, the People's Power Ministries for Tourism and for Planning and Finance established the grace periods for tourism loans. These grace periods range from one to three years depending on the activity that is being financed. Loans for tourism projects to be developed in tourist areas will have the maximum grace periods considering the type of activity to be developed.

Manufacturing loans
The Manufacturing Loan Law published on April 17, 2012 requires the people's power ministries in charge of finance and industries to jointly fix within the first month of each year, and with the binding opinion of SUDEBAN and the BCV, the terms, conditions, periods and minimum percentages of the loan portfolio to be earmarked by each universal bank to finance manufacturing activities. In no event shall the minimum percentage fall below 10% of each bank's gross loan portfolio for the immediately prior year.

Through Joint Resolution No. 0012, published in Official Gazette No. 40,195 on June 25, 2013, the People's Power Ministries for Industries and for Planning and Finance established the strategic sectors to which 60% of the manufacturing loan portfolio resources shall be allocated, and a minimum percentage of 40% to finance small and medium-sized companies, communal and state companies (Note 6).

Through Resolution No. 13-07-03 of July 30, 2013, the BCV established that, as from August 2013, interest on manufacturing loans charged by banks shall not exceed 18% per annum.

Through Joint Resolution No. 053, published in Official Gazette No. 40,457 on July 18, 2014, the People's Power Ministries for Industries and for Economy, Finance and Public Banking established the strategic sectors to which 60% of the manufacturing loan portfolio resources shall be allocated, and a minimum percentage of 40% to finance small and medium-sized companies and communal companies. Measurement and compliance percentage of the manufacturing loan portfolio shall be as follows: 8% at September 30, 2014 and 10% at December 31, 2014. This Resolution repeals Joint Resolution No. 0012 of the People's Power Ministries for Industries and for Planning and Finance published in Official Gazette No. 40,195 of June 25, 2013.

BCV regulations
The BCV has established regulations on lending and deposit rates to be applied by banks and restrictions on certain service fees. It has also established maximum rates to be charged for commissions, fees or surcharges on each type of transaction. In addition, through Resolution No. 13-03-02 of March 26, 2013, the BCV established that banks may only charge their customers for commissions established by this regulatory entity.

Regarding lending rates, the BCV established that banks may not charge for lending operations, except for consumer loans, an annual interest or discount rate higher than the rate periodically set by the BCV's Board of Directors for discount, rediscount, repurchase and advance operations, reduced by 5.5%, except in the case of agricultural, tourism, manufacturing and mortgage loans for primary residences (Note 6). As from June 5, 2009, the annual interest rate to be charged by the BCV on discount, rediscount and advance operations, except as regards operations conducted under special regimes, was set at 29.5%.

Also, through Resolution No. 13-11-02 of November 19, 2013, the BCV established that interest rates to be paid by banks on savings deposits for individuals with daily balances of up to Bs 20,000 shall not be less than 16% per annum, and no less than 12.5% per annum on savings deposits with daily balances higher than Bs 20,000. Interest on savings deposits paid by banks to companies shall not be less than 12.5% per annum, calculated on daily balances, regardless of account balance. In addition, interest rates on time and certificates of deposits, regardless of their term of maturity, shall not be less than 14.5% per annum.

In addition, the BCV established that banks may not charge commissions, fees or surcharges to their customers for transactions, operations or services directly related to savings accounts. Banks may charge a commission amounting to the existing balance of dormant savings and current accounts that have been closed if it is below Bs 1. In addition, banks may not charge commissions, fees or surcharges for operations other than those published by the BCV.

On July 11, 2013, through an Official Notice, the BCV reissued Resolution No. 12-09-02 of September 6, 2012, regarding commissions, fees and surcharges to be charged by banks to its clients on all transactions and activities covered by this Resolution. The Official Notice also establishes the fee to be charged by authorized entities to process purchases and sales of foreign currency or securities denominated in foreign currency through the Supplementary Foreign Currency Administration System (SICAD).

Through this Official Notice, the BCV also ratified that banks may only charge their customers up to Bs 5 for the second plus savings account books issued in the year. Likewise, the BCV sets monthly maintenance fees at Bs 3 on non-interest-bearing checking accounts (individuals), Bs 4.5 on non-interest-bearing checking accounts (companies), and Bs 5 on interest bearing checking accounts (companies). In addition, the BCV established maximum commissions, fees or surcharges on all transactions covered by the Official Notice.

The BCV established the maximum discount rates or commissions to be charged by banks to affiliated businesses for authorizing and processing point-of-sale operations through credit, debit and prepaid cards or any other financing or electronic payment instrument.

Through Resolution No. 10-10-02 issued on June 30, 2011, the BCV reduced by 3 percentage points the 17% minimum legal reserve that banks are required to maintain at the BCV, as per the previous Resolution of October 26, 2010, provided that they use the available resources to purchase instruments issued within the framework of Venezuela’s Great Housing Mission. The terms and conditions of these investments will be as established by the BCV.

Through Resolution No. 13-04-01 of April 26, 2013, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased dematerialized certificates of participation issued by the Simon Bolivar Fund 2013 will be made in conformity with terms established in Resolution No. 10-10-02.

Resolution No. 13-12-01, issued on December 3, 2013, modifies the legal reserve rules and requires a minimum reserve of 20.5% of total net liabilities, total investments assigned and marginal balance, and 30% of the amount corresponding to the increase of marginal balance.

Resolution No. 14-03-02, issued on March 13, 2014, modifies the legal reserve rules and requires a minimum reserve of 21.5% of total net liabilities, total investments assigned and marginal balance, and 31% of the amount corresponding to the increase of marginal balance.

Through Resolution No. 10-09-01, the BCV established that duly authorized universal banks may operate as brokers or intermediaries on the currency market and advertise this activity, in accordance with the BCV’s guidelines, terms and conditions.

Through Resolution No. 13-03-01 of March 21, 2013, the BCV established that individuals residing in Venezuela will be allowed to have demand deposits in foreign currency in local banks.

Through Resolution No. 13-07-01 of July 2013, the BCV set forth the general regulations for SICAD, which establish that foreign currency must only be traded by authorized financial institutions. The minimum and maximum amounts for the trade of foreign currency or securities in foreign currency will be determined in notices previously published.

Subsequently, through Circular SIB-II-GGR-GNP-25578 of July 31, 2013, SUDEBAN established that transactions conducted through SICAD should be recorded in the Accounting Manual for Banks, Other Financial Institutions and Savings and Loan Institutions (hereinafter Accounting Manual) and informed that SICAD balances will not be considered to calculate the accounting capital adequacy ratio.

Through Resolution No. 14-03-01 of March 17, 2014, the BCV established brokerage rules pertaining to foreign exchange market transactions both in cash and securities denominated in foreign currency solely through the Alternative Currency Exchange System (SICAD II). Through Resolution No. 30 of March 25, 2014, the SNV established the prudential instructions for the participation of authorized securities brokers through SICAD II.

Subsequently, through Resolution No. 048-14 of April 1, 2014, SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders through SICAD II. These benefits shall be recorded in equity under exchange gain from holding foreign currency assets and liabilities and, upon approval by SUDEBAN, may be used to: i) cover deficit in equity accounts, ii) create contingency provisions, make adjustments or record losses as determined by SUDEBAN and iii) increase capital stock.

Subsequent event

The Venezuelan government and the BCV published Exchange Agreement No. 33 in Extraordinary Official Gazette No. 6,171 on February 10, 2015. This Agreement establishes that foreign currency transactions conducted through the Marginal Foreign Exchange System (SIMADI) refer to the trading in bolivars of cash and securities in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. Under this Exchange Agreement, banks, exchange offices, authorized securities dealers and the Bicentennial Public Stock Exchange may participate as exchange brokers.

In addition, this Exchange Agreement establishes that the exchange rates for the trading of foreign currency will be set by the parties involved in the transaction. The BCV shall publish on a daily basis on its web page the reference exchange rate corresponding to the weighted average exchange rate of operations transacted during the day on the markets.

Through an official notice, the BCV ratified that as from February 12, 2015 there will be no trading of cash and securities in foreign currency through SICAD II.

Other regulations

Law for the Advancement of Science, Technology and Innovation

This Law establishes that the country's major corporations will annually earmark 0.5% of gross income generated in Venezuela in the prior year. During the six-month periods ended December 31 and June 30, 2014, the Bank recorded expenses in this connection of Bs 7,751,541, included under sundry operating expenses (Note 20).

In November 2014, the Venezuelan government enacted the Reform of the Law for the Advancement of Science, Technology and Innovation. This legal instrument creates the National Fund for Science, Technology and Innovation (FONACIT), which shall be responsible for managing, collecting, controlling, verifying, and quantitatively and qualitatively determining the contributions for science, technology and innovation and their applications. Likewise, the Reform indicates that taxpayers may apply to use the contributions to science, technology and innovation, provided that they develop annual projects, plans, programs and activities for the priority areas defined by the national authority responsible for matters related to science, technology and innovation and their applications and submit them within the third quarter of each year. Subsequently, within the first quarter of each year, users of the contributions for science, technology and innovation must submit to FONACIT a technical and administrative report of the activities conducted in this connection during the prior year. In addition, these Regulations require the payment and declaration of contributions within the second quarter after the closing of the period in which gross income was generated.

Antidrug Law

The Antidrug Law was published in Official Gazette No. 39,510 on September 15, 2010. This Law requires all private corporations, consortia and business-oriented public entities with 50 or more employees to contribute 1% of their annual operating income to the National Antidrug Fund (FONA) within 60 days of their respective year end. Companies belonging to economic groups will make contributions on a consolidated basis.

The FONA shall use these contributions to finance plans, projects and programs for the prevention of illegal drug traffic.

The contributions to the FONA shall be distributed as follows: 40% for prevention projects for the contributor's employees and their families; 25% for child welfare protection programs; 25% for antidrug traffic programs and; 10% to finance the FONA's operating costs. In addition, companies are required to employ rehabilitated individuals to facilitate their social reintegration.

The Antidrug Law repeals the Law on Narcotic and Psychotropic Substances published in Official Gazette No. 38,337 on December 16, 2005, and its Partial Regulations of June 5, 1996, published in Official Gazette No. 35,986 on June 21, 1996. Resolution No. 004-2011 was published in Official Gazette No. 39,643 on March 28, 2011 to establish the regulations for payment of contributions and special contributions according to applicable laws. This Resolution also established that the Antidrug Law will be effective for periods beginning after September 15, 2010 when the Law was enacted, and for periods that began before that date the Law on Narcotic and Psychotropic Substances will apply.

The Decree-Law for the creation of the FONA was modified through Decree No. 9,359, published in Official Gazette No. 40,095 on January 22, 2013. This modification is aimed to adapting and aligning the organizational structure of the Fund, as well as updating and adapting its attributions as a collection entity.

For the six-month periods ended December 31 and June 30, 2014, the Bank recorded expenses in this connection of Bs 6,589,050 and Bs 4,910,034, respectively, included under sundry operating expenses (Note 20).

Law on Exchange Control Regime and related offenses

The Law on Exchange Control Regime and related offenses was published on November 13, 2014. This Law establishes the parameters for the purchase of foreign currency by individuals and public entities, as well as exchange offenses and applicable penalties and regulates the terms and conditions under which foreign currency administration entities apply the capacities granted thereto by the legal system, in accordance with the exchange agreements established for such purposes, and the guidelines for the execution of this policy. The Law on Exchange Control Regime applies to individuals, public and private companies participating in exchange operations as buyers, managers, intermediaries, verifiers or beneficiaries. This Law defines foreign currency as any currency other than the bolivar, which is the currency of legal tender of the Bolivarian Republic of Venezuela. This definition includes deposits with local and foreign banks and financial institutions, transfers, bank checks and notes, securities, as well as any other asset or liability denominated or that may be realized or settled in foreign currency under the terms established by the BCV and according to the Venezuelan legal system.

Under this Law, an exchange operation is the trading in bolivars of any foreign currency through companies authorized by rules specifically issued by the BCV to this effect, which have complied with the requirements established by the competent authority and operate in the exchange market. An exchange market is the place or mechanisms established by the competent authorities in which, in an orderly matter, concur bidders and buyers to trade foreign currency at the exchange rates applicable in accordance with regulations issued in this connection.

Under this Law, the National Foreign Trade Center (CENCOEX) shall assign and supervise foreign currency, including but not limited to, cover expenses from public powers and to meet society's essential requirements, such as goods and services declared of prime necessity, i.e. drugs, food, housing and education.

Foreign currency trading shall be conducted under the terms and conditions provided in the exchange agreements governing these mechanisms, as well as other standards enacted in the development thereof, and the respective auction notices. Without prejudice to the access to mechanisms administered by the competent authorities of the exchange control regime through the CENCOEX, individuals and companies may purchase foreign currency through foreign currency operations offered by: individuals and private companies, Petróleos de Venezuela, S.A. (PDVSA) and the BCV.

Law against Organized Crime and Terrorism Financing
The Law against Organized Crime and Terrorism Financing was published in Official Gazette No. 39,912 on April 30, 2012 to prevent, investigate, prosecute, typify and punish offenses involving organized criminal groups and terrorism.

Sports and Physical Education Law
The Sports and Physical Education Law was passed on August 23, 2011. This Law seeks to regulate physical education and the sponsorship, organization and management of sporting activities as public services. Companies subject to this Law must contribute 1% of their net or accounting income to the activities contemplated therein. Subsequently, the first Partial Regulations to this Law were published on February 28, 2012 to establish the method for declaring and paying this contribution, the former within 190 days of period end. Through Circular SIB-II-GGR-GNP-12159 of May 4, 2012, SUDEBAN established regulations on how this contribution must be paid and recorded.

During the six-month periods ended December 31 and June 30, 2014, the Bank recorded expenses in this connection of Bs 6,581,233 and Bs 4,843,598, respectively, included within sundry operating expenses (Note 20).

New Labor Law
The new Labor Law (LOTTT) was published in Official Gazette No. 39,916 on May 7, 2012. This Law incorporates certain changes to the previous Labor Law (LOT) of June 19, 1997 and its Reform of May 6, 2011, particularly with respect to the calculation of certain employee benefits, such as vacation bonus, profit sharing, maternity leave, and the retrospective accrual of length-of-service benefits. In addition, the LOTTT reduces working hours and extends job security for parents. This Law became effective upon its publication in Official Gazette.

Through Notice No. SIB-II-GGR-GNP-38442 of November 27, 2012, SUDEBAN clarified that, in accordance with the Accounting Manual, banks must apply International Accounting Standards as supplemental guidance for issues not treated in said Accounting Manual, prudential regulations or prevailing accounting principles generally accepted in Venezuela issued by the Venezuelan Federation of Public Accountants (FCCPV). SUDEBAN also indicated that the methodology used to determine this liability must be applied consistently, must be contemplated in the Bank's rules and policies, and must be approved by the Board of Directors. As reflected in Minutes No. 218 of the Board of Directors' Meeting on February 6, 2013, the Bank will use a simplified calculation, which has been duly approved, to determine its liability with respect to length-of-service benefits. Such liability shall be the greater of the sum of 15 days of salary deposited quarterly in employee trust funds plus two additional days of salary for each year of service-amount that had already been recorded as salaries and employee benefits-and the sum of 30 days of salary for each year of service or fraction over six months, calculated based on the last salary earned by the employee. At December 31, 2014, the Bank has set aside a provision of Bs 86,487,042 in this connection (Bs 42,449,049 at June 30, 2014) (Note 17).

Other laws
On November 19, 2014, the Venezuelan government exercising the enabling power granted by the National Assembly enacted 44 decree laws published in the Extraordinary Official Gazette. These decrees impact matters related to the exchange control regime, income tax, foreign investments, fair prices and tourism, among others. At the date of these financial statements, management is assessing the impact that these decrees might have on the Bank's financial statements and operations as from their effective date.

2. Basis of preparation

The accompanying financial statements at December 31 and June 30, 2014 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual, which differ in certain material respects from generally accepted accounting principles (VEN NIF) published by the FCCPV, of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation and the valuation of foreign currency assets and liabilities, among others.

Through Resolution No. 648-10 of December 28, 2010, SUDEBAN deferred the presentation of consolidated or combined financial statements prepared under VEN NIF as supplementary information and established that, until otherwise stated, consolidated or combined financial statements and their notes must continue to be presented as supplementary information in accordance with generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP).

At December 31 and June 30, 2014, the main differences identified by management between the accounting rules and instructions of SUDEBAN and VEN NIF that affect the Bank are the following:

1) VEN NIF Adoption Bulletin No. 2 (BA VEN NIF 2) establishes criteria for applying International Accounting Standard No. 29 (IAS 29), "Financial reporting in hyperinflationary economies" in Venezuela and requires that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit. SUDEBAN has stipulated that inflation-adjusted financial statements must be provided as supplementary information. For purposes of additional analysis, the Bank has prepared inflation-adjusted financial statements using the General Price Level (GPL) method. The inflation rate estimated by management for the six-month period ended December 31, 2014 was 30.49% (30.03% published by the BCV for the six-month period June 30, 2014) (Note 34).

2) The Accounting Manual establishes that interest earned on overdue or in-litigation loans shall not be recognized as income but shall be recorded under memorandum accounts, as shall all subsequent interest earned. VEN NIF establish that for financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of estimated future cash flows generated by the instrument, discounted at the original effective interest rate. Impairment exists when the present value of an instrument's future cash flows is lower than the carrying amount, in which case interest income shall be recognized taking into account the discount rate applied to future cash flows for determining impairment losses.

3) The Accounting Manual establishes that loans whose original repayment schedule, term, or other conditions have been modified at the request of the debtor must be reclassified within rescheduled loans. VEN NIF provide no specific guidance. However, they do state that impairment losses on financial assets carried at amortized cost shall be charged to the results for the period in which they are incurred.

In addition, the Accounting Manual establishes that loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be classified to the category to which they pertained before being classified as overdue. Likewise, when a debtor repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the loan must be reclassified to the category to which it pertained before being classified as in litigation or overdue. According to VEN NIF, accounts receivable are recorded based on their recoverable amount.

4) In conformity with SUDEBAN rules, the Bank sets aside the general allowance for the loan portfolio with a charge to the results for the period. VEN NIF require that these allowances be recorded as a restricted amount of retained earnings in equity, provided that they do not meet conditions established in IAS 37, “Provisions, contingent liabilities and contingent assets.”

5) At December 31 and June 30, 2014, the Bank, in conformity with SUDEBAN rules, maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance. It also maintains a countercyclical allowance to be set aside as follows: 0.25% at April 30, 2014, 0.50% at August 31, 2014, and 0.75% at December 31, 2014. VEN NIF require that the Bank first assess whether objective evidence of impairment exists individually for loans that are individually significant, or collectively for loans that are not individually significant. Impairment losses shall be recognized in the results for the period.

6) Investments in trading securities may not remain in this category for more than 90 days after they have been classified. In conformity with VEN NIF, these investments may remain in this category indefinitely.

7) In accordance with SUDEBAN rules, available-for-sale assets reclassified to the held-to-maturity category are recorded at their fair value at the reclassification date. Unrealized gains or losses are maintained separately in equity and are amortized over the investment’s remaining life as an adjustment to yield.

   In conformity with VEN NIF, the fair value of the investment at the reclassification date becomes the new amortized cost basis, and any gain or loss previously recognized in equity is accounted for as follows: a) gains or losses on fixed maturity investments, as well as any difference between the new amortized cost and value at maturity, are taken to profit and loss and amortized over the investment’s remaining life and; b) gains or losses on non-maturing investments will remain in equity until the asset is sold or otherwise disposed of, when it shall be recognized in profit or loss. Any subsequent impairment losses recorded in equity shall be recognized in the results for the period.

8) Discounts or premiums on held-to-maturity investments are amortized over the term of the security with a debit or credit to gain or loss on investment securities under other operating income or other operating expenses, respectively. In conformity with VEN NIF, discounts or premiums must be accounted for as part of the security’s yield and, therefore, must be recognized under interest income.

9) Subsequent recoveries of permanent losses arising from impairment in the fair value of investment securities do not affect the new cost basis. VEN NIF allow recovery of impairment losses on debt securities.

10) The Accounting Manual establishes timeframes to record provisions for bank reconciling items, matured securities, pending items and accounts receivable forming part of other assets, loan portfolio interest suspension, interest receivable and derecognition of certain assets, among others. VEN NIF do not establish timeframes for creating provisions for these items; provisions are recorded based on best estimates of collection or recovery.

11) The Accounting Manual establishes that transfers between investment categories or sales of investments for reasons other than those established in said Accounting Manual must be authorized by SUDEBAN. The sale or transfer of held-to-maturity investments shall not be considered to be inconsistent with their original classification under the following circumstances:

    a) A significant deterioration in the issuer's creditworthiness;

    b) A change in tax law that eliminates or reduces the tax-exempt status of interest on the debt security;

    c) A major business combination or major disposition that necessitates the sale or transfer of the security to maintain the enterprise's existing interest rate risk position or credit risk policy;

    d) A change in statutory or regulatory requirements significantly modifying either what constitutes a permissible investment or the maximum level of investments in certain kinds of securities;

    e) A significant increase by the regulator in the industry's capital requirements; and

    f) A significant increase in the risk weights of debt securities used for regulatory risk-based capital purposes. Changes in circumstances and other events that are isolated, nonrecurring and unusual and that could not have been reasonably anticipated may cause an entity to sell or transfer held-to-maturity investments without calling into question the entity's intent to hold other securities to maturity.

    According to VEN NIF, if an entity sells or reclassifies more than an insignificant proportion of held-to-maturity investments before maturity, the entity may not classify any financial asset as held-to-maturity for two years from the date the sale or transfer occurred. In addition, any remaining held-to-maturity securities must be reclassified as available for sale and measured at fair value.

12) Assets received as payment are recorded at the lower of cost and market value and amortized using the straight-line method over one to three years. Idle assets must be written out of asset accounts after 24 months. In accordance with VEN NIF, assets received as payment are stated at the lower of cost and market value, and are classified as available-for-sale assets or investment property depending on their use. Investment properties are depreciated over their expected income-generating term.

13) The Accounting Manual establishes that property and equipment is initially recorded at acquisition or construction cost, as applicable. However, VEN NIF allows property and equipment to be revalued, and any increase in value is credited to equity under revaluation surplus.

14) Significant leasehold improvements are recorded as amortizable expenses and included under other assets. According to VEN NIF, they must be shown as part of property and equipment. Gains or losses on the sale of personal and real property are shown in the income statement.

15) The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on loan portfolio, for which only provisions for high risk or unrecoverable loans generate a deferred

tax asset. A deferred tax asset is not recognized for any amount exceeding future taxable income. In accordance with VEN NIF, a deferred tax asset is recognized in respect of all temporary differences between the carrying amount of assets and liabilities and their tax bases, provided that its realization is assured beyond any reasonable doubt.

16) Other assets include deferred expenses incurred by the Bank during the currency redenomination process, which are amortized as from April 2008 using the straight-line method (Note 12). Other assets also include deferred personnel, general, administrative and operating expenses related to the acquisition of Stanford Bank, S.A., which will be amortized over 15 years as from January 1, 2010 (Note 11). In accordance with VEN NIF, these types of costs may not be deferred and must be recorded in the income statement as incurred.

17) Other assets include the difference between the purchase price and the book value of Stanford Bank's assets and liabilities, which will be amortized using the straight-line method over 15 years. According to VEN NIF, goodwill should not be amortized but tested for impairment annually or whenever events or circumstances indicate that the value of the respective reporting unit may be impaired. Impairment is determined by comparing the carrying amount of the cash generating unit to its recoverable amount, and if the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the income statement.

18) At December 31 and June 30, 2014, other assets include deferred expenses of Bs 488,678 and Bs 695,997, respectively, related to disbursements for the new chip-based credit and debit cards. These disbursements include advisory, training and other personnel expenses, advertising, and client education on the adequate use of electronic payment services, accommodation of physical spaces, and replacement of debit and credit cards. They will be amortized beginning January 2011 using the straight-line method (Note 12). In accordance with VEN NIF, these expenses may not be deferred but must be recorded in the income statement when incurred.

19) SUDEBAN rules require foreign currency balances and transactions to be measured at the prevailing official exchange rate established by the BCV of Bs 6.2842/US$1 at December 31 and June 30, 2014. In conformity with VEN NIF, foreign currency balances and transactions shall be measured and recorded taking into consideration a comprehensive assessment of the entity's financial position, its monetary position in foreign currency and the financial impact of the applicable exchange regulations. In addition, instructions issued by the FCCPV on this matter state that:

- Foreign currency items shall be measured: a) at the official exchange rates established in the different exchange agreements issued by the BCV and the Venezuelan government, or b) on the basis of best estimates of future cash flows in bolivars expected to be required or received to settle liabilities or realize assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.

- Assets in foreign currency required to be sold to the BCV shall be measured at the official exchange rates established by the BCV.

- Assets in foreign currency not required to be sold to the BCV shall be measured: a) on the basis of the liabilities that are not reasonably expected to be settled with foreign currency purchased from the Venezuelan government at the official exchange rate, or b) on the basis of best estimates of future cash flows in bolivars expected to be received to realize these assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.

20) SUDEBAN established that gains or losses resulting from foreign exchange fluctuations must be recorded in equity. Under VEN NIF, gains and losses resulting from foreign exchange fluctuations must be recorded in the income statement for the period in which they occur.

21) SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders through SICAD II indicating that these benefits shall be recorded in equity. Under VEN NIF, realized gains or losses resulting from the trading of financial instruments must be recorded in the income statement for the period in which they occur. During the six-month period ended December 31, 2014, the Bank recorded in equity a net gain on sale of foreign currency assets through SICAD II of Bs 249,495 (Bs 675,499,842 at June 30, 2014).

22) SUDEBAN established that expenses incurred in relation to the contribution to the National Community Council Fund provided in Article No. 46 of the Law on Banking Sector Institutions shall be recorded as a prepaid expense within other assets and amortized during the six-month period in which the contribution was paid. Under VEN NIF, this contribution must be expensed as incurred.

23) SUDEBAN established that expenses incurred in relation to the contribution under the Sports and Physical Education Law shall be expensed when paid. Under VEN NIF, this contribution must be expensed as incurred.

24) For purposes of the cash flow statement, the Bank considers as cash equivalents cash and due from banks. VEN NIF consider as cash equivalents investments and deposits maturing within 90 days.

25) The Accounting Manual establishes that transactions with derivative instruments, whose contractual rights and obligations will be exercised in the future, shall be classified as memorandum accounts under contingent debtor accounts until they materialize. VEN NIF establish that these contractual rights and obligations shall be recognized in the balance sheet as assets and liabilities, respectively, provided that these transactions meet the conditions established in IFRS 9 “Financial instruments.”

The accounting policies followed by the Bank are:

a) Foreign currency

Foreign currency balances and transactions are recorded at the official exchange rate in effect at the transaction date. Foreign currency balances at December 31 and June 30, 2014 are shown at the official exchange rate of Bs 6.2842/US$1. Exchange gains and losses other than those resulting from the official currency devaluation are included in the results for the period (Note 25).

The Bank does not engage in hedging activities in connection with its foreign currency balances and transactions. The Bank is also exposed to foreign exchange risk.

b) Translation of financial statements in foreign currency

Assets, liabilities and income accounts of the Branch were translated at the official exchange rate of Bs 6.2842/US$1 at December 31 and June 30, 2014.

c) Investment securities

Investment securities are classified upon acquisition, based on their intended use, as deposits with the BCV and overnight deposits, investments in trading securities, investments in available-for-sale securities, investments in held-to-maturity securities, restricted investments and investments in other securities.

All transfers between different investment categories or sales of investments under circumstances other than those established in the Accounting Manual must be authorized by SUDEBAN.

Deposits with the BCV and overnight deposits
Excess liquidity deposited at the BCV, overnight deposits and debt securities issued by Venezuelan financial institutions maturing within 60 days are included in this account.

Investments in trading securities
Investments in trading securities are recorded at fair value and comprise investments in debt and equity securities which may be converted into cash within 90 days of their acquisition. Unrealized gains or losses resulting from differences in fair values are included in the income statement. Gains and losses from fluctuations in the exchange rate are included in equity.

These securities, regardless of their maturity, must be negotiated and written out of this account within 90 days of their classification, i.e., they may not remain in this category for more than 90 days.

Investments in available-for-sale securities
Investments in available-for-sale debt and equity securities are recorded at fair value and unrealized gains or losses, net of income tax, resulting from differences in fair value are included in equity. If investments in available-for-sale securities correspond to instruments denominated in foreign currency, the fair value will be determined in foreign currency and then translated at the official exchange rate in effect. Gains or losses from fluctuations in the exchange rate are included in equity. Permanent losses from impairment in the fair value of these investments are recorded in the income statement under other operating expenses for the period in which they occur. Any subsequent recovery in fair value is recognized as an unrealized gain, net of income tax, in equity (Note 5-a).

These investments may not remain in this category for more than one year, except for securities issued and guaranteed by the Venezuelan government and investments in shares of mutual guarantee companies.

Investments in held-to-maturity securities
Investments in debt securities that the Bank has the firm intention and ability to hold until maturity are recorded at cost, which should be consistent with market value at the time of purchase, subsequently adjusted for amortization of premiums or discounts. Discounts or premiums on acquisition are amortized over the term of the securities as a credit or debit to other operating income and other operating expenses. The book value of investments denominated in foreign currency is adjusted at the exchange rate in effect at period end. Gain and losses from fluctuations in the exchange rate are included in equity.

The Bank assesses at each balance sheet date, or sooner if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity and available-for-sale securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost, 2) the financial difficulty of the issuer, 3) a fall in the issuer's credit rating, 4) the disappearance of an active market for the security, and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended December 31 and June 30, 2014, the Bank has identified no unrecorded permanent impairment in the value of its investments (Note 5-b).

Sales or transfers of investments in held-to-maturity securities do not affect the original intention for which these securities were acquired when: a) the sale occurs so close to their maturity date that interest rate risk is extinguished (i.e., changes in market interest rates will not significantly affect the realizable value of the investment), or b) the sale occurs after the entity has collected a substantial portion (more than 85%) of the outstanding principal at the transaction date, in addition to all other conditions established in the Accounting Manual.

Restricted investments
Restricted investments originating from other investment categories are measured using the same criteria used to record those investments from which they are derived. Securities or loans which the Bank contractually sells and commits to repurchase at an agreed date and price, i.e., for which the Bank acts as the reporting entity, are valued using the same criteria as for investments in trading securities.

Investments in other securities
Investments in other securities include investment trusts, as well as investments not classified under any of the aforementioned categories.

The Bank uses the specific identification method to determine the cost of securities and this same basis to calculate realized gains or losses on the sale of trading or available-for-sale securities.

d) Loan portfolio
Commercial loans and term, mortgage and credit card loan installments are classified as overdue if repayment is more than 30 days past due. In conformity with SUDEBAN rules, advances on negotiated letters of credit are classified as overdue if not repaid within 270 days after they were granted by the Bank. Furthermore, when any related installment is more than 90 days past due, the entire principal balance is classified as overdue.

In addition, the entire balance of microcredits, payable in weekly or monthly installments, is considered past due if repayment of at least one weekly installment is 14 days overdue or one monthly installment is 60 days overdue. Rescheduled loans are those whose original repayment schedule, term, or other conditions have been modified based on a refinancing agreement and certain terms and conditions set out in the Accounting Manual. Loans in litigation are those in the legal collection process.

Loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be reclassified to the category to which they pertained before being classified as overdue. Likewise, when an individual repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the Bank must reclassify the loan to the category to which it pertained before being classified as in litigation or overdue.

e) Use of estimates in the preparation of financial statements
The preparation of financial statements in conformity with SUDEBAN rules requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Below is a summary of the main estimates used in the preparation of the financial statements:

Investment securities
Investment securities and interest not collected 30 days after maturity date are provided for in full.

Loan portfolio and contingent loans
The Bank performs a quarterly review of at least 90% of its loan portfolio and contingent loans to determine the specific allowance for possible losses on each loan. This review takes into account factors such as economic conditions, client credit risk and credit history. Moreover, each quarter the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans. In accordance with SUDEBAN rules, the Bank maintains a general 1% allowance of the loan portfolio balance, except for the balance of the

microcredit portfolio, for which it maintains a general 2% allowance, and an additional countercyclical allowance of the gross loan portfolio balance to be set aside as follows: 0.25% at April 30, 2014, 0.50% at August 31, 2014, and 0.75% at December 31, 2014. The Bank may set aside any additional general allowances deemed necessary. Allowances may not be released without the authorization of SUDEBAN.

Other assets
The Bank assesses collectibility of items recorded under other assets using the same criteria, where applicable, as those applied to the loan portfolio. Furthermore, the Bank sets aside provisions for those items that require them due to their nature or aging.

Provision for legal and tax claims
The Bank sets aside a provision for legal and tax claims considered probable and reasonably quantifiable based on the opinion of its legal advisors. Based on this opinion, management believes that the outcome of legal and tax claims outstanding at December 31 and June 30, 2014 will be favorable to the Bank (Note 30). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

f) Available-for-sale assets
Personal and real property received as payment is recorded at the lower of assigned value, book value, market value or appraisal value not older than one year, and is amortized using the straight-line method over one to three years, respectively. The remaining available-for-sale assets are recorded at the lower of cost and realizable value. Gains or losses from the realization of available-for-sale assets are included in the income statement.

Other available-for-sale assets and assets idle for more than 24 months must be written out of asset accounts.

g) Property and equipment
Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Significant leasehold improvements are recorded as amortizable expenses and included under other assets. Gains or losses on the sale of personal and real property are shown in the income statement.

h) Deferred expenses
Deferred expenses mainly include start-up, leasehold improvement, and software license costs. These expenses are recorded at cost, net of accumulated amortization. Amortization is calculated using the straight-line method over four years.

Expenses incurred during the currency redenomination process related to advisory, training, travel and other personnel, advertising, software and security expenses will be amortized as from April 2008 using the straight-line method over one to six years (Note 12).

Deferred expenses related to the Stanford Bank merger shall be amortized using the straight-line method over 15 years as from January 2010 (Notes 11 and 12).

The difference between the purchase price and the book value of Stanford Bank’s assets and liabilities is amortized using the straight-line method over 15 years as from June 2009 (Notes 11 and 12).

Deferred expenses related to the project for the new chip-based credit and debit cards will be amortized using the straight-line method over one to six years as from January 2011 (Note 12).

i) Income tax

The Bank's tax year ends on December 31. The tax provision is based on management's projection of tax results. The Bank records a deferred tax asset when, in the opinion of management, there is reasonable expectation that future tax results will allow its realization. In addition, according to the Accounting Manual, the amount by which the deferred tax asset exceeds tax expense for the year is not recognized (Note 18).

j) Employee benefits

Accrual for length-of-service benefits

The Bank accrues for its liability in respect of length-of-service benefits, which are a vested right of employees, based on the provisions of the LOTTT (Note 1) and the prevailing collective labor agreement and deposits amounts accrued in a trust fund on behalf of each employee.

A new collective labor agreement was signed in December 2013, which will be in effect as from January 2014 until December 2016.

The Bank does not have a pension plan or other post-retirement benefit programs for its employees; it does not grant stock purchase options.

Profit sharing

Under the collective labor agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary. Expenses incurred in this connection during the first six-month period of each year are paid in April and July, and the remaining liability in November. At December 31 and June 30, 2014, the Bank has recorded Bs 80,324,195 and Bs 60,867,842, respectively, in this connection, shown under salaries and employee benefits. The Bank accrues amounts accordingly (Note 17).

Vacation leave and vacation bonus

The LOTTT and the collective labor agreement grant each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 20 days of salary based on length of service. The Bank accrues amounts accordingly (Note 17).

k) Recognition of revenue and expenses

Interest on loans, investments and accounts receivable is recorded as income when earned by the effective interest method, except: a) interest receivable more than 30 days overdue, b) interest on loans overdue or in litigation, or loans classified as real risk, high risk or unrecoverable, and c) overdue interest, all of which are recorded as income when collected. Interest collected in advance is included under accruals and other liabilities as deferred income and recorded as income when earned (Note 17).

Interest on current and rescheduled loan portfolios collectible after six months or more is recorded as deferred income under accruals and other liabilities when earned and as income when collected.

Commissions from loans granted are recorded as income upon collection under income from other accounts receivable.

Income from financial leases and amortization costs of leased property are shown net in the income statement as interest income from the loan portfolio.

Interest on customer deposits, liabilities and borrowings is recorded as interest expense when incurred using the effective interest method.

l) Residual value
Residual value is the estimated value of assets upon termination of the financial lease. The Bank recognizes residual value as income when collected.

m) Assets received in trust
Assets received in trust are valued using the same parameters used by the Bank to value its own assets, except for investment securities, which are shown at cost and subsequently adjusted for amortization of premiums or discounts. Any permanent impairment in the value of these investments is recorded in trust fund results for the period in which it occurs. During the six-month periods ended December 31 and June 30, 2014, no permanent losses were identified.

n) Net income per share
Basic net income per share has been determined by dividing net income for the six-month period by the weighted average of shares outstanding during the period.

o) Cash flows
For purposes of the cash flow statement, the Bank considers as cash equivalents cash and due from banks.

p) Use of financial instruments
The Bank is mainly exposed to credit, foreign exchange, market, interest rate, liquidity and operational risks. Below is the risk policy used by the Bank for each type of risk:

Credit risk
The Bank assumes exposure to credit risk when a counterparty is unable to pay off its debts at maturity.

The Bank monitors credit risk exposure by regularly analyzing payment capabilities of its borrowers. The Bank structures the level of credit risk by establishing limits for individual and group borrowers.

The Bank requests fiduciary or mortgage guarantees, collateral or certificates of deposit after assessing specific borrower characteristics.

Foreign exchange risk
Foreign exchange risk arises from fluctuations in the value of financial instruments due to changes in foreign currency exchange rates. The Bank's transactions are mainly in bolivars. However, when the Bank identifies short or medium-term market opportunities, investments might be deposited in foreign currency instruments, mainly in U.S. dollars.

Market risk
The Bank assumes exposure to market risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Bank evaluates market risk on a regular basis and the Board of Directors sets limits on the level of risk concentration that may be assumed, which is regularly supervised.

Interest rate risk
The Bank assumes exposure from the effects of fluctuations in market interest rate levels on its financial position and cash flows.

Interest margins may increase as a result of such changes but may diminish or lead to losses in the event of unexpected movements.

The Bank analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Bank calculates the impact on profit and loss of a given interest rate shift.

Simulations are performed regularly. Based on various scenarios, the Bank manages its cash flow interest rate risk.

Liquidity risk
The Bank reviews on a daily basis its available cash resources, overnight deposits, current accounts, maturing deposits and loans, as well as its guarantees and margins.

The Bank's investment strategy is aimed at guaranteeing an adequate liquidity level. A large portion of the investment portfolio includes securities issued by the Bolivarian Republic of Venezuela and other highly liquid obligations.

Operational risk
The Bank considers exposure to operational risk arising from direct or indirect losses that result from inadequate or defective internal processes, human error, system failures or external events.

The structure used by the Bank to measure operational risk is based on a qualitative and quantitative approach. The first identifies and analyzes risks before related events occur; the second mainly relies on the analysis of events and experiences gained from them.

Fiduciary activities
The Bank acts as custodian, administrator and manager of third-party investments. As a result, in certain cases, the Bank purchases and sells a wide range of financial instruments. These trust fund assets are not included in the Bank's assets. At December 31, 2014, trust fund assets amount to Bs 2,848,162,028 (Bs 1,809,370,477 at June 30, 2014), shown under memorandum accounts (Note 22).

3. Cash and due from banks

At December 31, 2014, the balance of the account with the BCV mainly includes Bs 13,575,549,190 in respect of the legal reserve deposit in local currency (Bs 9,213,770,490 at June 30, 2014) (Note 29).

In addition, at December 31, 2014, the account with the BCV includes Bs 2,955,620,031 (Bs 2,920,484,320 at June 30, 2014), in respect of demand deposits held by the Bank at the BCV and US$22,745,746, equivalent to Bs 142,938,821, in respect of deposits received in accordance with Exchange Agreement No. 20 (US$50,492,412, equivalent to Bs 317,304,412, at June 30, 2014) (Notes 4 and 13).

At December 31 and June 30, 2014, the Bank has US$121,000 and US$1,758,250, respectively, equivalent to Bs 760,390 and Bs 11,049,195, respectively, in connection with brokerage in the purchase and sale of foreign currency through SICAD. This amount is yet to be transferred to the parties awarded (Notes 4 and 17).

At December 31 and June 30, 2014, pending cash items relate to clearinghouse operations conducted by the BCV and other banks.

During the six-month period ended June 30, 2014, the Bank sold cash for US$700,000, equivalent to Bs 4,398,940, through SICAD II, recording a gain of Bs 32,101,160 in equity.

4. Foreign currency assets and liabilities

a) Exchange control regime

Since February 2003, the Venezuelan government established an exchange control regime managed by the Commission for the Administration of Foreign Currency (CADIVI).

Purchases in bolivars of securities in foreign currency issued by the Bolivarian Republic of Venezuela, whose trading had been suspended, were regulated in July 2003.

In June 2010, it was resolved that trading in bolivars of the aforementioned securities may only be conducted through the System for Transactions with Securities in Foreign Currency (SITME), a mechanism administered by the BCV that was suspended in February 2013.

In March 2013, the BCV established SICAD, a new foreign currency auction system through which individuals and companies may offer and purchase foreign currency when convened by the BCV, taking into consideration the Nation's objectives and economic needs.

As from December 2013, the BCV has published the official SICAD exchange rate, which serves as a reference rate to submit bids for the purchase or sale of foreign currency through this system and to establish the currency trading price for individuals not residing in Venezuela, Petróleos de Venezuela, S.A. and other oil-sector companies. At December 31 and June 30, 2014, the SICAD exchange rate was Bs 12.00/US$1 and Bs 10.60/US$1, respectively.

In January 2014, the Venezuelan government created CENCOEX to replace CADIVI.

In March 2014, the Venezuelan government and the BCV created SICAD II, a new system in which individuals and companies may trade foreign currency in cash, as well as securities denominated in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. At December 31 and June 30, 2014, the exchange rate of the last foreign currency auction held through SICAD II was Bs 49.9883/US$1 and Bs 49.9785/US$1, respectively.

b) Applicable exchange rates

February 2013: Bs 6.2842/US$1 (purchase) and Bs 6.30/US$1 (sale), for all transactions.

January 2014: Bs 6.2842/US$1 (purchase) and Bs 6.30/US$1 (sale), for all transactions, except for purchases of currency for travelling abroad, remittances to relatives residing abroad and insurance sector operations, among others, administered by CADIVI (currently CENCOEX), that will also be calculated at the exchange rate resulting from the most recent SICAD auction.

c) Measurement and recording of assets and liabilities in foreign currency

SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill), increase capital stock, and b) record these exchange gains in profit and loss for the year when such gains derive from the sale of the securities that gave rise to the exchange gains (Notes 2 and 25).

d) Net global position in foreign currency

The Bank's balance sheet includes the following foreign currency balances denominated mainly in U.S. dollars (US$) and stated at the aforementioned official exchange rate (purchase):

	December 31, 2014				
	US$				
	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets					
Cash and due from banks					
Cash	1,697,065	-	-	1,697,065	10,664,696
Central Bank of Venezuela	22,866,746	-	-	22,866,746	143,699,211
Foreign and correspondent banks	12,929,968	53,090,677	(260,650)	65,759,995	413,248,941
Provision for cash and due from banks	(53,684)	-	-	(53,684)	(337,361)
Investment securities	45,210,537	4,505,121	-	49,715,658	312,423,138
Loan portfolio					
Current	-	20,186,040	-	20,186,040	126,853,113
Overdue	-	73,200	-	73,200	460,003
Outstanding letters of credit issued and negotiated	24,462,208	-	-	24,462,208	153,725,408
Allowance for losses on loan portfolio	-	(2,407,624)	-	(2,407,624)	(15,129,989)
Interest and commissions receivable, net of provision	899,633	1,187,414	-	2,087,047	13,115,421
Investments in subsidiaries, affiliates and branches and agencies abroad	8,118,975	-	(8,118,975)	-	-
Property and equipment	-	11,797	-	11,797	74,134
Other assets, net of provision	1,086,463	14,989	-	1,101,452	6,921,745
Total assets	117,217,911	76,661,614	(8,379,625)	185,499,900	1,165,718,460
Liabilities and Equity					
Liabilities					
Customer deposits	22,745,746	70,496,836	(260,650)	92,981,932	584,317,057
Other liabilities from financial intermediation	1,856,508	-	-	1,856,508	11,666,667
Interest and commissions payable	-	24,336	-	24,336	152,932
Accruals and other liabilities	1,042,717	1,165,324	-	2,208,041	13,875,771
Total liabilities	25,644,971	71,686,496	(260,650)	97,070,817	610,012,427
Equity					
Capital stock	-	1,000,000	(1,000,000)	-	-
Total liabilities and equity	25,644,971	72,686,496	(1,260,650)	97,070,817	610,012,427
Other debtor memorandum accounts (Note 22)					
Foreign currency purchases	1,095,949	-	-	1,095,949	6,887,164
Foreign currency sales	(1,095,949)	-	-	(1,095,949)	(6,887,164)

	June 30, 2014				
	US$				
	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets					
Cash and due from banks					
Cash	2,492,794	-	-	2,492,794	15,665,215
Central Bank of Venezuela	52,250,662	-	-	52,250,662	328,353,607
Foreign and correspondent banks	24,240,041	42,286,822	(260,215)	66,266,648	416,432,874
Provision for cash and due from banks	(37)	-	-	(37)	(233)
Investment securities	58,066,877	1,832,082	-	59,898,959	376,417,038
Loan portfolio					
Current	-	24,594,048	-	24,594,048	154,553,916
Outstanding letters of credit issued and negotiated	37,910,528	-	-	37,910,528	238,237,338
Overdue letters of credit	3,882,000	-	-	3,882,000	24,395,264
Allowance for losses on loan portfolio	-	(952,977)	-	(952,977)	(5,988,698)
Interest and commissions receivable, net of provision	1,166,591	1,044,295	-	2,210,886	13,893,650
Investments in subsidiaries, affiliates and branches and agencies abroad	9,766,416	-	(9,766,416)	-	-
Property and equipment	-	12,292	-	12,292	77,245
Other assets, net of provision	1,161,219	17,707	-	1,178,926	7,408,607
Total assets	190,937,091	68,834,269	(10,026,631)	249,744,729	1,569,445,823
Liabilities and Equity					
Liabilities					
Customer deposits	50,492,411	60,885,221	(260,215)	111,117,417	698,284,072
Borrowings	10,000,000	-	-	10,000,000	62,842,000
Other liabilities from financial intermediation	4,055,521	-	-	4,055,521	25,485,703
Interest and commissions payable	20,977	10,113	-	31,090	195,377
Accruals and other liabilities	12,776,406	774,637	-	13,551,043	85,157,465
Total liabilities	77,345,315	61,669,971	(260,215)	138,755,071	871,964,617
Equity					
Assigned capital	-	1,000,000	(1,000,000)	-	-
Total liabilities and equity	77,345,315	62,669,971	(1,260,215)	138,755,071	871,964,617
Other debtor memorandum accounts (Note 22)					
Foreign currency purchases	6,763,885	-	-	6,763,885	42,505,606
Foreign currency sales	(6,763,885)	-	-	(6,763,885)	(42,505,606)

At December 31, 2014, the Bank has a net monetary asset position in foreign currency of US$51,777,723, equivalent to Bs 325,381,567 (US$50,108,247, equivalent to Bs 314,890,103, at June 30, 2014), calculated based on the rules laid down by the BCV. This amount does not exceed the maximum limit set by the BCV, which at December 31 and June 30, 2014 is 30% of the Bank's equity, equivalent to US$228,004,229 and US$189,035,258, respectively.

At December 31, 2014, calculation of the net foreign currency position does not include Principal and Interest Covered Bonds (TICCs) with a book value of US$37,745,517, International Sovereign Bonds 2019, 2022, 2024 and 2031 with a book value of US$1,204,315, interest receivable in connection with these securities of US$849,594 and net balances of transactions established in Exchange Agreement No. 20 of US$4,209, as they are not required for this calculation.

At December 31 and June 30, 2014, the Bank has other liabilities from financial intermediation arising from letters of credit.

During the six-month period ended December 31, 2014, the Bank recorded exchange gains and losses of Bs 7,473,434 and Bs 10,189,660, respectively (Bs 3,567,576 and Bs 4,677,540, respectively, during the six-month period ended June 30, 2014), arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 19 and 20).

5. Investment securities

Investments in debt securities, shares and other have been classified in the financial statements based on their intended use as shown below:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Investments		
Deposits with the BCV and overnight deposits	225,000,000	450,000,000
Available for sale	4,612,645,386	4,975,326,543
Held to maturity	5,171,158,548	5,289,800,977
Restricted	72,552,100	39,936,832
Other securities	3,964,089,744	2,843,419,577
Provision for investment securities	(100,000)	(100,000)
	14,045,345,778	13,598,383,929

a) Investments in available-for-sale securities

These investments are shown at fair value and comprise the following:

	December 31, 2014			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIF), with a par value of Bs 1,940,560,690, annual yield at between 9.88% and 18%, maturing between January 2015 and May 2028	2,221,719,402	95,878,359	2,317,597,761	(1) - (a)
Vebonos, with a par value of Bs 1,654,881,150, annual yield at between 9.98% and 17%, maturing between September 2015 and April 2024	1,976,880,899	98,073,194	2,074,954,093	(1) - (a)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US$18,109,501, annual yield at between 5.25% and 8.63%, maturing between March 2015 and 2019 (Note 4)	109,825,203	(3,873,282)	105,951,921	(2) - (a)
Treasury Notes, with a par value of Bs 45,000,000, maturing in March 2015	44,895,240	96,525	44,991,765	(1) - (a)
Sovereign Bonds in foreign currency, with a par value of US$238,200, annual yield at between 6% and 12.75%, maturing between December 2020 and August 2031 (Note 4)	851,625	(137,933)	713,692	(1) - (b) and (e)
Global Bonds, with a par value of US$82,800, annual yield at between 9.25% and 9.38%, maturing between September 2027 and January 2034 (Note 4)	463,437	(228,735)	234,702	(1) - (b), (d) and (e)
	4,354,635,806	189,808,128	4,544,443,934	

	December 31, 2014			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
		(In bolivars)		
Bonds and debt securities issued by Venezuela non-financial public-sector companies (Note 4)				
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$9,953,000, annual yield at between 5.25% and 12.75%, maturing between April 2017 and 2037	34,808,477	(8,379,043)	26,429,434	(1) - (b), (c) and (e)
Petrobonos issued by Petróleos de Venezuela, S.A., with a par value of US$3,500,000, 5% fixed annual yield, maturing in October 2015	18,976,713	(2,492,125)	16,484,588	(1) - (b) and (c)
Global Bond issued by C.A., La Electricidad de Caracas, with a par value of US$250,000, 8.5% annual yield, maturing in April 2018	1,265,134	(686,830)	578,304	(1) - (c)
	55,050,324	(11,557,998)	43,492,326	
Equity in Venezuelan non-financial private-sector companies				
Common shares				
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo, S.A., 10,873 shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (f)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	(910)	100,370	(3) - (f)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón, C.A., 10,000 common shares, with a par value of Bs 10 each, 2.77% owned	100,000	-	100,000	(3) - (f)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	(81,469)	93,531	(3) - (f)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares, with a par value of Bs 10 each, 0.028% owned	30,000	14,897	44,897	(3) - (f)
	19,977,680	(67,482)	19,910,198	
Debt securities issued by foreign non-financial private-sector companies				
AES Andre B.D. Dominicana, with a par value of US$200,000, 9.5% annual yield, maturing in November 2020	1,310,110	33,452	1,343,562	(1) - (c)
Telemovil Finance Co, Ltd, with a par value of US$119,000, 8% annual yield, maturing in October 2017	763,626	6,861	770,487	(1) - (c)
	2,073,736	40,313	2,114,049	
Debt securities issued by foreign financial private-sector companies				
BBVA Bancomer, S.A., with a par value of US$200,000, 6% annual yield, maturing in May 2022	1,269,248	18,566	1,287,814	(1) - (c)
Ford Motor Credit Company, with a par value of US$200,000, 7% annual yield, maturing in April 2015	1,266,668	10,997	1,277,665	(1) - (c)
International Cooperative UA, with a par value of US$100,000, 10.38% annual yield, maturing in September 2020	188,545	(69,145)	119,400	(1) - (c)
	2,724,461	(39,582)	2,684,879	
	4,434,462,007	178,183,379	4,612,645,386	
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice No. SIB-II-CCD-36481		(3,068,912)		
		175,114,467		

	June 30, 2014			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIF), with a par value of Bs 2,189,469,434, annual yield at between 9.88% and 18%, maturing between January 2015 and 2026	2,481,526,926	103,752,252	2,585,279,178	(1) - (a)
Vebonos, with a par value of Bs 1,768,145,100, annual yield at between 10.23% and 17.25%, maturing between September 2014 and April 2024	2,108,010,646	59,963,209	2,167,973,855	(1) - (a)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US$33,688,335, annual yield at between 5.25% and 8.63%, maturing between March 2015 and 2019 (Note 4)	249,372,017	(50,258,493)	199,113,524	(2) - (a)
Global Bonds, with a par value of US$306,800, annual yield at between 7% and 9.38%, maturing between October 2014 and March 2038 (Note 4)	1,831,470	(1,471)	1,829,999	(1) - (a), (b), (d) and (e)
Sovereign Bonds in foreign currency, with a par value of US$66,700, annual yield at between 6% and 12.75%, maturing between October 2019 and August 2031 (Note 4)	346,004	39,770	385,774	(1) - (b) and (e)
	4,841,087,063	113,495,267	4,954,582,330	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies (Note 4)				
PDVSA Bonds, issued by Petróleos de Venezuela, S.A., with a par value of US$112,000, annual yield at between 5.25% and 12.75%, maturing between April 2017 and 2037	596,958	61,883	658,841	(1) - (b) and (e)
Petrobonos issued by Petróleos de Venezuela, S.A., with a par value of US$4,150, 4% fixed annual yield, maturing in October 2024	24,223	843	25,066	(1) - (b)
	621,181	62,726	683,907	

	June 30, 2014			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
		(In bolivars)		
Equity in Venezuelan non-financial private-sector companies				
Common shares				
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo, S.A., 10,873 common shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (f)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	65,858	240,858	(3) - (f)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	6,063	107,343	(3) - (f)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón, C.A., 10,000 common shares, with a par value of Bs 10 each, 2.77% owned	100,000	-	100,000	(3) - (f)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines, S.A., 3,000 common shares, with a par value of Bs 10 each, 0.028% owned	30,000	10,705	40,705	(3) - (f)
	19,977,680	82,626	20,060,306	
	4,861,685,924	113,640,619	4,975,326,543	
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice No. SIB-II-CCD-36481		(4,168,612)		
		109,472,007		

(1) Estimated fair value is determined from trading operations on the secondary market per valuation screens or yield curves.

(2) Value is determined based on the present value of estimated future cash flows in conformity with the Accounting Manual. The fair value of TICCs is their equivalent amount in bolivars at the official exchange rate.

(3) Equity value, considered as fair value, is based on unaudited financial statements.

Custodians of investments

(a) Central Bank of Venezuela

(b) Euroclear Bank, S.A.

(c) Morgan Stanley

(d) Caja Venezolana de Valores, S.A.

(e) Commerzbank, AG

(f) Shares held in custody of private-sector companies, S.G.R. del Estado Aragua, C.A., S.G.R. del Estado Falcón, C.A., S.G.R. - SOGAMIC, S.A., S.G.R. SOGARSA, S.A., S.G.R. SOGATUR, S.A.,

Through Notice No. SIB-II-GGIBPV2-40535 of December 13, 2012, SUDEBAN informed the Bank that since the Reuters and Bloomberg services which offer reference prices for all key global financial markets do not provide reference prices for the Bank's available-for-sale investments, the Bank must use similar services or, if unavailable, must apply the present value (yield curve) to measure its available-for-sale investments, as required by the Accounting Manual. The Bank followed these guidelines to measure its available-for-sale portfolio at December 31 and June 30, 2014.

Through Notice No. SIB-II-CCD-36481 of November 12, 2012, SUDEBAN instructed the Bank to transfer the balances of non-convertible bearer bonds (2012 issue) issued by Fondo de Desarrollo Nacional FONDEN, S.A. for Bs 209,187,351 and those issued by Petróleos de Venezuela, S.A. for Bs 91,359,660 from the available-for-sale portfolio to the held-to-maturity portfolio, in conformity with Circular SIB-II-GGR-GNP-CCD-15075 of May 30, 2012. At December 31, 2012, the Bank calculated the fair value of the available-for-sale investments at the date of transfer and recorded an unrealized loss on these investments of Bs 7,680,340 in a separate equity account, which will be amortized until these securities mature. At December 31 and June 30, 2014, the balance of this unrealized loss is Bs 3,068,912 and Bs 4,168,612, respectively.

TICCs issued by the Bolivarian Republic of Venezuela, payable in local currency and referenced to the U.S. dollar at the official exchange rate of Bs 6.2842/US$1, have foreign exchange indexing clauses at variable quarterly yields.

At December 31 and June 30, 2014, the Bank has an account in the name of the BCV at the Euroclear Bank to hold in custody all securities in foreign currency held by other foreign financial institutions, as set out in Article No. 51 of the Law on Banking Sector Institutions. Commerzbank and Morgan Stanley only hold in custody securities of the Branch.

For the six-month period ended December 31, 2014, the Branch identified and recorded permanent write-downs of investments in held-to-maturity securities of US$70,799, equivalent to Bs 444,915, shown under other operating expenses. Through communication of July 3, 2014, the Branch requested authorization from SUDEBAN to reclassify investments in held-to-maturity securities to investments in available-for-sale securities. Through Notice No. SIB-II-GGIBPV-GIBPV2-39415 of November 13, 2014, SUDEBAN authorized the reclassification of these investments. At November 30, 2014, the Branch reclassified securities for US$922,174, equivalent to Bs 5,795,126, to investments in available-for-sale securities.

At period end, the Bank records fluctuations in the market value of these investments as an unrealized gain or loss on investment securities in equity. These unrealized gains or losses comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Unrealized gain		
Securities issued or guaranteed by the Venezuelan government in local currency	194,048,078	163,715,461
Debt securities issued by foreign non-financial private-sector companies	40,313	-
Debt securities issued by foreign financial private-sector companies	29,563	-
Equity in Venezuelan non-financial private-sector companies	14,897	82,626
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	-	62,726
Securities issued or guaranteed by the Venezuelan government in foreign currency	-	39,770
	194,132,851	163,900,583
Unrealized loss		
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	(11,557,998)	-
Securities issued or guaranteed by the Venezuelan government in foreign currency	(4,239,950)	(50,259,964)
Equity in Venezuelan non-financial private-sector companies	(82,379)	-
Debt securities issued by foreign financial private-sector companies	(69,145)	-
	(15,949,472)	(50,259,964)
	178,183,379	113,640,619
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice No. SIB-II-CCD-36481	(3,068,912)	(4,168,612)
Net unrealized gain on available-for-sale securities	175,114,467	109,472,007

Below is the classification of investments in available-for-sale securities according to maturity:

	Fair value	
	December 31, 2014	June 30, 2014
	(In bolivars)	
Up to six months	196,831,480	1,373,875
Six months to one year	205,734,815	210,187,431
One to five years	2,167,460,353	2,333,873,302
Over five years	2,022,708,540	2,409,831,629
Without maturity	19,910,198	20,060,306
	4,612,645,386	4,975,326,543

During the six-month period ended December 31, 2014, the Bank sold investments in available-for-sale securities amounting to Bs 12,112,492,528 (Bs 19,279,442,009 during the six-month period ended June 30, 2014), resulting in gains and losses of Bs 167,458,089 and Bs 101,511,175, respectively, (Bs 230,502,256 and Bs 208,350,544, respectively, during the six-month period ended June 30, 2014), shown under other operating income and other operating expenses, respectively (Notes 19 and 20).

b) Investments in held-to-maturity securities

Investments in held-to-maturity securities are shown at amortized cost and comprise debt securities that the Bank has the firm intention and ability to hold until maturity. These securities comprise the following:

	December 31, 2014			
	Acquisition cost	Amortized cost (In bolivars)	Fair value	
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIF), with a par value of Bs 1,936,656,558, annual yield at between 9.88% and 18%, maturing between November 2015 and January 2026	2,352,693,546	2,223,691,874	2,326,194,844	(3) - (a)
Vebonos, with a par value of Bs 1,201,533,493, annual yield at between 9.98% and 17.26%, maturing between February 2015 and January 2026	1,521,549,355	1,490,675,132	1,381,061,348	(1) - (a)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US$20,297,582, annual yield at between 5.25% and 8.63%, maturing between March 2015 and 2019 (Note 4)	137,353,775	131,248,458	127,780,015	(3) - (a)
Sovereign Bonds in foreign currency, with a par value of US$100, 8.25% annual yield, maturing in October 2024 (Note 4)	482	491	45	(1)- (b)
	4,011,597,158	3,845,615,955	3,835,036,252	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Certificate of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 877,064,242, 3.75% annual yield, maturing between May 2015 and 2016	877,064,242	877,064,242	877,064,242	(2) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 410,000,000, 9.10% annual yield, maturing between April 2015 and July 2017 (Note 6)	433,859,980	418,367,005	426,366,130	(1) - (a)
Agriculture Bonds issued by Petróleos de Venezuela, S.A., with a par value of Bs 30,000,000, 9.1% annual yield, maturing in July 2015 (Note 6)	30,528,180	30,108,049	30,528,180	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$4,300, annual yield at between 5.38% and 8.5%, maturing between November 2017 and April 2037 (Note 4)	2,841	3,297	2,034	(1)- (b)
	1,341,455,243	1,325,542,593	1,333,960,586	
	5,353,052,401	5,171,158,548	5,168,996,838	

	June 30, 2014			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIF), with a par value of Bs 1,974,617,715, annual yield at between 9.75% and 18%, maturing between December 2014 and January 2026	2,398,209,872	2,288,310,961	2,324,470,893	(3) - (a)
Vebonos, with a par value of Bs 1,201,601,218, annual yield at between 10.23% and 17.5%, maturing between September 2014 and February 2025	1,535,868,146	1,524,321,610	1,379,182,329	(1) - (a)
Principal and Interest Covered Bonds (TICC), payable in bolivars, with a reference par value of US$20,297,582, annual yield at between 5.25% and 8.63%, maturing between March 2015 and 2019 (Note 4)	137,353,775	137,999,377	127,988,305	(3) - (a)
Sovereign Bonds in foreign currency, with a par value of US$2,600, annual yield at between 7.75% and 8.25%, maturing between October 2019 and 2024 (Note 4)	19,278	17,398	14,033	(1)- (b)
	4,071,451,071	3,950,649,346	3,831,655,560	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Certificate of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 877,064,242, 3.75% annual yield, maturing in May 2015 and 2016	877,064,242	877,064,242	877,064,242	(2) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 410,000,000, 9.10% annual yield, maturing between April 2015 and July 2017 (Note 6)	433,859,980	421,579,142	426,366,130	(1) - (a)
Agriculture Bonds issued by Petróleos de Venezuela, S.A., with a par value of Bs 30,000,000, 9.1% annual yield, maturing in July 2015 (Note 6)	30,528,180	30,208,968	30,528,180	(1) - (a)
Global Bond issued by C.A., La Electricidad de Caracas, with a par value of US$250,000, 8.5% annual yield, maturing in April 2018 (Note 4)	891,571	1,228,029	1,258,882	(1) - (c)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$4,300, annual yield at between 5.38% and 8.5%, maturing between November 2017 and April 2037 (Note 4)	23,880	24,281	23,139	(1)- (b)
	1,342,367,853	1,330,104,662	1,335,240,573	
Debt securities issued by foreign non-financial private-sector companies (Note 4)				
AES Andre B.D. Dominicana, with a par value of US$200,000, 9.5% annual yield, maturing in November 2020	1,344,819	1,313,762	1,362,063	(1) - (c)
Telemovil Finance Co, Ltd, with a par value of US$119,000, 8% annual yield, maturing in October 2017	786,211	765,897	783,319	(1) - (c)
	2,131,030	2,079,659	2,145,382	
Debt securities issued by foreign financial private-sector companies (Note 4)				
Ford Motor Credit Company, with a par value of US$400,000, annual yield at between 7% and 8.7%, maturing between October 2014 and April 2015	2,802,753	2,546,092	2,599,258	(1) - (c)
BBVA Bancomer S.A., with a par value of US$200,000, 6% annual yield, maturing in May 2022	1,275,693	1,269,925	1,324,521	(1) - (c)
BanColombia, S.A., with a par value of US$200,000, 4.25% annual yield, maturing in January 2016	1,254,955	1,256,263	1,311,223	(1) - (c)
Morgan Stanley, with a par value of US$200,000, 4.2% annual yield, maturing in November 2014	1,301,961	1,261,359	1,273,920	(1) - (c)
International Cooperative UA, with a par value of US$100,000, 10.38% annual yield, maturing in September 2020	636,589	633,671	330,002	(1) - (c)
	7,271,951	6,967,310	6,838,924	
	5,423,221,905	5,289,800,977	5,175,880,439	

(1) Estimated fair value is determined from trading operations on the secondary market or the present value of estimated future cash flows.

(2) Shown at par value, which is considered as fair value.

(3) Estimated market value based on the present value of estimated future cash flows or yield curves.

Custodians of investments

(a) Central Bank of Venezuela

(b) Euroclear Bank, S.A.

(c) Morgan Stanley

Below is the classification of held-to-maturity securities according to maturity:

	December 31, 2014		June 30, 2014	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In bolivars)			
Less than 1 year	439,293,530	407,552,768	391,943,759	393,222,111
1 to 5 years	2,304,310,449	2,383,057,973	2,362,422,063	2,476,540,393
5 to 10 years	1,075,888,841	1,023,175,933	1,106,953,307	992,804,218
Over 10 years	1,351,665,728	1,247,763,686	1,428,481,848	1,313,313,717
	5,171,158,548	5,061,550,360	5,289,800,977	5,175,880,439

The Accounting Manual establishes that all sales of held-to-maturity securities for reasons other than those indicated in the Accounting Manual must be authorized by SUDEBAN. On December 14, 2012, the Curacao Branch sold a held-to-maturity security for US$2,265,627, maturing on November 2, 2017, without SUDEBAN's authorization. On January 9, 2013, the Bank informed SUDEBAN that the Branch had made an honest mistake and that when the Branch became aware of it, it immediately purchased another security of identical characteristics at the same sale price of the original security (97.3%), and recorded it in the held-to-maturity securities account at the new acquisition cost. The Bank also informed SUDEBAN that the gain on sale of US$465,099 was recorded in the other pending items liability account and shown in the balance sheet under accruals and other liabilities until the security is paid at maturity. Through Notice No. SIB-II-GGIBPV-GIBPV2-04502 of February 18, 2013, SUDEBAN informed the Bank that the transaction was duly noted while stressing the obligation to comply with the Accounting Manual as regards authorization from SUDEBAN for this type of transaction.

Through Circular SIB-II-GGR-GNP-10025 of April 1, 2014, SUDEBAN authorized financial institutions to sell held-to-maturity securities in foreign currency provided that they are traded through SICAD II. During the six-month period ended December 31, 2014, the Bank sold held-to-maturity investments through SICAD II for US$6,040, equivalent to Bs 37,959, and recorded net gains of Bs 249,495 in equity (US$18,009,696, equivalent to Bs 819,117,086, and recorded gains of Bs 643,398,682 in equity at June 30, 2014). In addition, of the amount at June 30, 2014, the Branch transferred to the Bank securities for US$3,078,211, equivalent to Bs 19,344,094, at book value.

At December 31, 2014, the Bank has agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. and Petróleos de Venezuela, S.A. for Bs 418,367,005 and Bs 30,108,049, respectively (Bs 421,579,142 and Bs 30,208,968, respectively, at June 30, 2014). Through Notice No. SIB-II-CCD-06140 of March 1, 2013, SUDEBAN informed the Bank that the maximum amount of agriculture bonds that may be included in the agricultural loan portfolio, as per Notice No. 093 of July 31, 2012 issued by the People's Power Ministry for Agriculture and Land, is Bs 473,381,100. At December 31, 2014, the Bank has agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. and PDVSA for Bs 448,475,054 (Note 6) (Bs 451,788,110 at June 30, 2014), which may be computed as part of the agricultural loans that the Bank is required to grant (Note 6).

At December 31 and June 30, 2014, the Bank has Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 877,064,242, which may be deducted from the legal reserve amount required of financial institutions (Note 29). The Bank has the ability and intention to hold these securities to maturity.

At December 31, 2014, unrealized losses of Bs 113,082,673 (Bs 155,153,718 at June 30, 2014) on held-to-maturity securities issued by the Bolivarian Republic of Venezuela are considered temporary since management believes that from the standpoint of the issuer's credit risk, interest rate risk and liquidity risk, the decrease in these securities' fair value is temporary. In addition, the Bank has the intention and ability to hold these securities to maturity. Accordingly, the Bank has identified no impairment in the value of these investments.

c) Overnight deposits

These investments are recorded at realizable value, representing cost or par value and comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Certificate of deposit with the Central Bank of Venezuela (BCV), with a par value of Bs 225,000,000, annual yield at between 6% and 7.25%, maturing between January and February 2015 (a par value of Bs 450,000,000, annual yield at between 6% and 7.25%, maturing between October 2014 and February 2015 at June 30, 2014)	225,000,000	450,000,000

d) Restricted investments

These investments are shown at par value, which is considered as fair value, and comprise the following:

	December 31, 2014		June 30, 2014		
	Amortized cost	Fair value	Amortized cost	Fair value	
	(In bolivars)				
Other restricted investments					
Certificates of deposit					
Trust fund with Mercantil, C.A., Banco Universal	28,924,848	28,924,848	-	-	(1)
Social Contingency Fund (Note 25)	17,647,926	17,647,926	13,849,042	13,849,042	(1)
PNC Bank, with a par value of US$1,621,645 (US$1,619,195 at June 30, 2014) (Note 4)	10,190,742	10,190,742	10,175,343	10,175,343	(1)
JP Morgan Chase Bank, with a par value of US$1,593,709 (US$1,593,305 at June 30, 2014) (Note 4)	10,015,189	10,015,189	10,012,647	10,012,647	(1)
Multibank, Inc., with a par value of US$677,216 (Note 4)	4,255,761	4,255,761	-	-	(1)
Banco del Bajio, S.A., with a par value of US$241,500 (US$724,500 at June 30, 2014) (Note 4)	1,517,634	1,517,634	4,552,903	4,552,903	(1)
Banco do Brasil, with a par value of US$202,282 (Note 4)	-	-	1,271,179	1,271,179	(1)
Caixa d'Estalvis (with a par value of US$8,800 at June 30, 2014) (Note 4)	-	-	75,718	75,718	(1)
	72,552,100	72,552,100	39,936,832	39,936,832	

(1) Par value is used as fair value. Securities denominated in foreign currency are shown at the official exchange rate.

At December 31 and June 30, 2014, the certificates of deposit with JP Morgan Chase Bank and PCN Bank are used as collateral to guarantee VISA and MasterCard credit card operations, respectively.

At December 31, 2014, the certificate of deposit with Mercantil, C.A., Banco Universal is used as collateral to guarantee Maestro debit card operations.

At December 31 and June 30, 2014, guarantee deposits of Multibank, Inc., Banco del Bajio, Banco do Brasil and Caixa d'Estalvis are used to guarantee operations with letters of credit through CENCOEX.

e) Investments in other securities
These investments are shown at par value and comprise the following:

	December 31, 2014	June 30, 2014	
	(In bolivars)		
Other liabilities			
Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 3,861,154,744 (Bs 2,733,132,077 at June 30, 2014), 4.66% annual yield, maturing between June 2020 and September 2022	3,861,154,744	2,733,132,077	(1) - (a)
Special mortgage securities issued by Banco Nacional de Vivienda y Hábitat (BANAVIH), with a par value of Bs 102,935,000 (Bs 110,287,500 at June 30, 2014), 2% annual yield, maturing in November 2021	102,935,000	110,287,500	(1) - (a)
	3,964,089,744	2,843,419,577	

(1) Par value is considered as fair value. These securities may be sold to the BCV through a resale agreement at 100% of their par value.

Custodian of investment
(a) Central Bank of Venezuela

At December 31, 2014, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 3,861,154,744 (Bs 2,733,132,077 at June 30, 2014), of which Bs 1,692,034,001 falls within the mandatory housing loans required under Venezuela's Great Housing Mission. These securities aim at raising funds to finance massive construction projects (Note 6). In addition, at December 31 and June 30, 2014, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 251,289,000, which corresponds to the substitution of Dematerialized Certificates of Participation issued by Banco Nacional de Desarrollo Económico y Social de Venezuela (BANDES).

At December 31 and June 30, 2014, the Bank maintains special mortgage securities for Bs 102,935,000 and Bs 110,287,500, respectively, with long-term mortgage loan guarantees issued by BANAVIH, which were computed in the construction loan portfolio at December 31, 2011 (Note 6).

The Bank has the intention and ability to hold the investments in other securities to maturity.

The Bank's control environment includes policies and procedures to determine investment risks by entity and economic sector. At December 31, 2014, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 13,948,184,552, representing 99.31% of its investment securities portfolio (Bs 13,529,439,822, representing 99.49% of its investment securities portfolio at June 30, 2014).

6. Loan portfolio

The loan portfolio is classified by economic activity, guarantee, maturity and type of loan as follows:

	December 31, 2014				
	Current	Rescheduled	Overdue	In litigation	Total
			(In bolivars)		
Economic activity					
Communal, social and consumer services	12,921,766,459	130,400	6,255,370	-	12,928,152,229
Wholesale and retail trade, restaurants and hotels	11,943,061,109	134,166	4,716,262	-	11,947,911,537
Agriculture	3,615,495,614	109,582,144	58,889	-	3,725,136,647
Financial businesses, insurance, real estate and services	2,983,139,296	-	4,821,678	-	2,987,960,974
Manufacturing	2,292,502,738	-	1,447,004	-	2,293,949,742
Transportation, warehousing and communications	924,249,763	-	-	-	924,249,763
Construction	609,146,766	-	-	-	609,146,766
Mining and oil	535,416,168	-	-	-	535,416,168
Utilities	46,974,782	-	-	-	46,974,782
Sundry activities	724,549	-	-	-	724,549
	35,872,477,244	109,846,710	17,299,203	-	35,999,623,157
Allowance for losses on loan portfolio					(792,779,253)
					35,206,843,904
Guarantee					
Endorsement	9,901,025,223	18,102,125	5,279,590	-	9,924,406,938
Collateral	6,753,620,715	42,213,117	1,586,564	-	6,797,420,396
Real property mortgage	2,961,397,504	515,441	2,216,992	-	2,964,129,937
Written instruments	1,062,591,848	-	-	-	1,062,591,848
Other guarantees	655,818,507	-	19,729	-	655,838,236
Pledge	232,934,821	109,375	-	-	233,044,196
Chattel mortgage	192,336,867	850,799	660,538	-	193,848,204
Non-possessory pledge	61,851,854	593,925	-	-	62,445,779
Unsecured	14,050,899,905	47,461,928	7,535,790	-	14,105,897,623
	35,872,477,244	109,846,710	17,299,203	-	35,999,623,157
Maturity					
Up to 30 days	6,101,691,824	-	11,880,269	-	6,113,572,093
31 to 60 days	4,416,246,698	-	12,500	-	4,416,259,198
61 to 90 days	4,268,601,760	374,167	460,003	-	4,269,435,930
91 to 180 days	4,888,228,098	21,337	1,164,173	-	4,889,413,608
181 to 360 days	4,038,369,793	460,400	1,572,449	-	4,040,402,642
Over 360 days	12,159,339,071	108,990,806	2,209,809	-	12,270,539,686
	35,872,477,244	109,846,710	17,299,203	-	35,999,623,157

	June 30, 2014				
	Current	**Rescheduled**	**Overdue**	**In litigation**	**Total**
			(In bolivars)		
Economic activity					
Wholesale and retail trade, restaurants and hotels	7,190,464,981	24,729,431	8,503,809	-	7,223,698,221
Financial businesses, insurance, real estate and services	1,876,101,571	-	4,512,751	-	1,880,614,322
Agriculture, fishing and forestry	3,153,028,815	114,219,318	887,753	-	3,268,135,886
Construction	1,280,644,836	-	62,842	-	1,280,707,678
Transportation, warehousing and communications	635,563,615	-	20,767	-	635,584,382
Utilities	61,763,367	-	-	-	61,763,367
Communal, social and consumer services	9,157,358,508	217,034	2,522,563	-	9,160,098,105
Manufacturing	2,109,624,983	-	346,800	-	2,109,971,783
Mining and oil	64,468,206	-	-	-	64,468,206
Sundry activities	62,001,845	-	-	-	62,001,845
	25,591,020,727	139,165,783	16,857,285	-	25,747,043,795
Allowance for losses on loan portfolio					(531,049,835)
					25,215,993,960
Guarantee					
Endorsement	8,057,174,439	19,444,814	2,928,307	-	8,079,547,560
Real property mortgage	2,236,190,976	863,484	2,725,922	-	2,239,780,382
Other guarantees	439,777,057	24,395,264	24,944	-	464,197,265
Collateral	3,897,628,452	43,554,959	2,433,047	-	3,943,616,458
Pledge	304,995,757	109,375	-	-	305,105,132
Chattel mortgage	140,966,980	894,471	607,489	-	142,468,940
Written instruments	244,385,914	-	-	-	244,385,914
Non-possessory pledge	74,268,392	705,900	-	-	74,974,292
Unsecured	10,195,632,760	49,197,516	8,137,576	-	10,252,967,852
	25,591,020,727	139,165,783	16,857,285	-	25,747,043,795
Maturity					
Up to 30 days	4,375,104,056	29,103	8,463,271	-	4,383,596,430
31 to 60 days	3,388,671,488	-	217,009	-	3,388,888,497
61 to 90 days	3,069,637,384	133,394	332,000	-	3,070,102,778
91 to 180 days	3,101,425,639	1,131,500	1,199,564	-	3,103,756,703
181 to 360 days	2,684,345,061	662,170	292,400	-	2,685,299,631
Over 360 days	8,971,837,099	137,209,616	6,353,041	-	9,115,399,756
	25,591,020,727	139,165,783	16,857,285	-	25,747,043,795

Below is a breakdown of the loan portfolio by type of loan:

	December 31, 2014	**June 30, 2014**
	(In bolivars)	
Type of loan		
Fixed term, includes US$8,477,627 (US$12,476,639 at June 30, 2014) (Note 4)	14,344,969,367	10,751,162,510
Installment, includes US$520,000 (Note 4)	8,261,207,825	3,998,309,905
Agriculture	3,725,136,647	3,268,135,886
Mortgage	2,607,953,418	2,199,788,655
Manufacturing	2,293,489,738	2,109,971,783
Credit cards	1,664,114,795	944,568,764
Microcredits	1,434,444,400	926,804,656
Tourism	690,233,251	529,855,508
Financial leases	269,722,377	202,218,060
Factoring and discounts, includes US$11,261,613 (US$11,597,410 at June 30, 2014) (Note 4)	331,929,448	364,346,307
Letters of credit, equivalent to US$24,462,208 (US$41,792,528 at June 30, 2014) (Note 4)	153,725,337	262,632,602
Vehicles	187,878,987	179,806,476
Other (employee loans)	34,102,080	8,620,422
Checking accounts	715,487	822,261
	35,999,623,157	25,747,043,795

Through Resolution No. 332-11 of December 22, 2011, SUDEBAN established the parameters to set aside provisions for loans or microcredits granted to individuals or corporations whose assets were subject to expropriation, occupation or intervention from the Venezuelan government, effective from December 1, 2011 to November 30, 2013. A modification of this Resolution was published in Official Gazette No. 40,304 of November 28, 2013. At December 31, 2014, the Bank applied the aforementioned Resolution to loans amounting to Bs 754,018,855 (Bs 609,644,045 at June 30, 2014).

In accordance with SUDEBAN rules, at December 31, 2014, the Bank maintains a general allowance for losses on the loan portfolio of Bs 377,114,223 (Bs 272,605,047 at June 30, 2014), equivalent to 1% of the principal balance of the loan portfolio, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance (Note 2-e).

In addition to general and specific allowances established in SUDEBAN rules, through Resolution No. 146-13 of September 10, 2013, SUDEBAN laid out the rules regarding the countercyclical allowance, equivalent to 0.75 per month of the gross loan portfolio balance; and will be set aside as follows: 0.25% at April 30, 2014, 0.50% at August 31, 2014, and 0.75% at December 31, 2014 and beyond. At December 31 and June 30, 2014, the Bank maintains a countercyclical allowance of Bs 269,997,174 and Bs 99,346,292, respectively (Note 2-e).

At December 31, 2014, the Bank has loans for Bs 2,362,068,978 with a group of debtors and maintains a provision of Bs 723,053 in this connection. Through Notice No. SIB-II-GGIBPV-GIBPV2-40911 of November 19, 2014, SUDEBAN established a required provision of Bs 82,031,410 for these debtors. Through communication of December 17, 2014, the Bank explained to SUDEBAN its reasons for maintaining that level of provision and to date is awaiting response from this regulatory body.

At June 30, 2014, the Branch has loans for US$15,149,399, equivalent to Bs 95,201,853, with a group of debtors and maintains a provision of US$495,000, equivalent to Bs 3,110,679, in this connection. Through Notice No. SIB-II-GGIBPV-GIBPV2-20386 of June 17, 2014, SUDEBAN established a required provision of US$2,587,069, equivalent to Bs 16,257,659, for these debtors. Through communication of July 3, 2014, the Branch explained to SUDEBAN its reasons for maintaining that level of provision. Through Notice No. SIB-II-GGIBPV-GIBPV2-32585 of September 19, 2014, SUDEBAN responded after analyzing the communication sent by the Branch that it must set aside an additional provision of US$1,485,000, equivalent to Bs 9,332,037, for a single debtor. This provision was recorded in the net results for the six-month period ended December 31, 2014, as part of uncollectible loans and other accounts receivable.

Below is the movement in the allowance for losses on the loan portfolio:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Balance at the beginning of the period	531,049,835	357,457,445
Provided in the period	285,536,652	173,471,412
Write-offs of uncollectible loans	(16,091,321)	-
Reclassification from provision for interest receivable (Note 7)	1,676,349	274,261
Reclassification to provision for contingent loans (Note 17)	(9,392,262)	(153,283)
Balance at the end of the period	792,779,253	531,049,835

At December 31, 2014, overdue loans on which interest is no longer accrued amount to Bs 17,299,203 (Bs 16,857,285 at June 30, 2014). In addition, at December 31, 2014, memorandum accounts include Bs 180,696,284 (Bs 115,133,715 at June 30, 2014) in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 22).

During the six-month period ended December 31, 2014, the Bank wrote off loans of Bs 16,091,321 against the allowance for losses on the loan portfolio.

At December 31, 2014, the Bank recovered loans written off in previous periods of Bs 7,558,773, shown in the income statement within income from financial assets recovered (Bs 4,704,579 during the six-month period ended June 30, 2014).

At December 31, 2014, universal banks should earmark a minimum nominal percentage of 62.25% to finance loans for agriculture, microcredits, mortgage, tourism and manufacturing (28% to agriculture, microcredits and tourism at June 30, 2014) as follows:

	December 31, 2014						
Activity	**Balance maintained In bolivars**	**Earmarked %**	**Required %**	**Number of debtors**	**Number of loans granted during the period**	**Maximum annual interest rate %**	**Calculation basis**
Agriculture (a)	4,173,611,700	26.41	25	463	175	13	Average gross loan portfolio balance at December 31, 2013 and 2012
Microcredits	1,434,444,400	5.60	3	3,107	1,398	24	Gross loan portfolio at June 30, 2014
Mortgages (b)	3,021,402,111	15.32	20	3,023	331	Between 4.66 and 10.66	Gross loan portfolio at December 31, 2014 to be applied according to the borrower's monthly household income
Tourism (c)	709,804,651	4.49	4.25	29	9	7.12 or 10.12	Average balance of the gross loan portfolio at December 31, 2013 and 2012
Manufacturing (d)	2,293,489,738	11.63	10	238	223	16.20 or 18.00	Gross loan portfolio at December 31, 2013

	June 30, 2014						
Activity	**Balance maintained In bolivars**	**Earmarked %**	**Required %**	**Number of debtors**	**Number of loans granted during the period**	**Maximum annual interest rate %**	**Calculation basis**
Agriculture (a)	3,719,923,996	23.54	23,00	488	179	13	Average gross loan portfolio balance at December 31, 2013 and 2012
Microcredits	926,804,656	4.70	3,00	3,780	1.621	24	Gross loan portfolio at December 31, 2013
Mortgages (b)	1,408,476,379	7.14		3,023	331	Between 4.66 and 10.66	Gross loan portfolio at December 31, 2013 to be applied according to the borrower's monthly household income
Tourism (c)	549,426,908	3.48	2,00	30	16	7.12 or 10.12	Average balance of the gross loan portfolio at December 31, 2013 and 2012
Manufacturing (d)	2,109,971,783	10.70		232	201	16.20 or 18.00	Gross loan portfolio at December 31, 2013

(a) At December 31, 2014, the Bank maintains an agricultural loan portfolio for Bs 3,725,136,647 and agriculture bonds issued by the Venezuelan government for Bs 448,475,054 (Note 5- b), representing 26.41% of the average gross loan portfolio at December 31, 2013 and 2012 (at June 30, 2014, Bs 3,268,135,886 and Bs 451,788,110, respectively, representing 23.54% of the average gross loan portfolio at December 31, 2013 and 2012).

(b) At December 31, 2014, the Bank maintains Bs 3,861,154,744 in Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., of which Bs 1,692,034,001 is imputable to the short-term mortgage portfolio for 2014, to finance Venezuela's Great Housing Mission (at June 30, 2014, Bs 2,733,132,077 of which Bs 564,011,334 is imputable to the short and long-term mortgage portfolio for 2014) (Note 5-e).

(c) At December 31 and June 30, 2014, the Bank maintains a tourism loan portfolio for Bs 690,233,251 and Bs 529,855,508, respectively, and Bs 19,571,400 in Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (SOGATUR). These shares are imputable to the tourism loan portfolio compliance (Note 5).

(d) In July 2014, the People's Power Ministries for Industries and for Planning and Finance established the activities to which universal banks shall allocate the funds of the manufacturing loan portfolio. Of the manufacturing loan portfolio resources, 60% shall be allocated to the strategic development sectors and a minimum 40% percentage to finance small and medium-sized companies, communal and state companies.

7. Interest and commissions receivable

Interest and commissions receivable comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Interest receivable on investment securities		
Available for sale, includes US$653,022 (US$823,537 at June 30, 2014)	94,153,787	102,084,166
Held to maturity, includes US$341,832 (US$361,008 at June 30, 2014)	80,855,521	78,239,334
Other securities (includes US$261,967 at June 30, 2014)	49,115,084	41,341,402
	224,124,392	221,664,902
Interest receivable on loan portfolio		
Current, includes US$1,103,642 (US$754,300 at June 30, 2014)	281,516,350	203,139,133
Rescheduled (includes US$14,335 at June 30, 2014)	7,614,121	3,508,459
Overdue, includes US$24,810 (US$1,817 at June 30, 2014)	1,604,818	1,002,291
Microcredits	10,461,033	5,617,055
Agricultural	452,945	580,273
	301,649,267	213,847,211
Commissions receivable		
Trust fund (Note 22)	2,867,118	1,632,332
	528,640,777	437,144,445
Provision for interest receivable and other, includes US$36,259 (US$6,078 at June 30, 2014)	(4,257,863)	(6,024,400)
	524,382,914	431,120,045

The Bank has provisions for interest and commissions receivable that meet the minimum requirements set by SUDEBAN.

Below is the movement in the provision for interest receivable and other:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Balance at the beginning of the period	6,024,400	9,969,048
Provided in the period	529,191	-
Write-off of interest receivable on loans	(619,379)	-
Reclassification to allowance for losses on loan portfolio (Note 6)	(1,676,349)	(274,261)
Reclassification to provision for contingent loans (Note 17)	-	(3,670,387)
Balance at the end of the period	4,257,863	6,024,400

During the six-month period ended December 31, 2014, the Bank wrote off interest receivable of Bs 619,379 against the provision for interest receivable and other.

At December 31, 2014, the Bank collected interest of Bs 1,047,478 written off in previous periods, shown in the income statement within income from financial assets recovered (Bs 425,344 during the six-month period ended June 30, 2014).

8. Investments in subsidiaries, affiliates and branches

In October 2008, the Bank requested authorization from SUDEBAN to open a branch in Willemstad, Curacao. SUDEBAN, through Notice No. SBIF-DSB-II-GGTE-GEE-07154 of May 18, 2009, and the Central Bank of Curacao and St. Maarten, through Communication No. Lcm/ni/2009-001159 of November 5, 2009, authorized the opening of this branch.

At a Board of Directors' meeting on November 25, 2009, it was resolved to contribute US$1,000,000 to the new branch's capital stock. This amount was fully paid in January 2010.

Below is a summary of the financial statements of the Branch included in the Bank's financial statements:

Balance sheet

	December 31, 2014		June 30, 2014	
	US$	Equivalent in bolivars	US$	Equivalent in bolivars
Assets				
Cash and due from banks	83,067,820	522,014,799	67,735,730	425,664,874
Investment securities	4,505,120	28,311,083	13,642,345	85,731,224
Loan portfolio	17,851,617	112,183,125	23,641,071	148,565,218
Interest and commissions receivable	1,187,414	7,461,945	1,044,294	6,562,552
Property and equipment	11,797	74,134	12,292	77,246
Other assets	14,989	94,192	17,707	111,275
	106,638,757	670,139,278	106,093,439	666,712,389
Liabilities and Equity				
Customer deposits	97,330,125	611,641,967	95,542,272	600,406,746
Interest and commissions payable	24,336	152,928	10,113	63,552
Accruals and other liabilities	1,165,324	7,323,120	774,638	4,867,980
	98,519,785	619,118,015	96,327,023	605,338,278
Capital assigned	1,000,000	6,284,200	1,000,000	6,284,200
Capital reserves	1,552,639	54,451	1,552,639	9,757,100
Retained earnings	6,709,529	51,866,684	6,243,658	39,236,389
Unrealized gain (loss) on investments in available-for-sale securities	(1,143,196)	(7,184,072)	970,119	6,096,422
	8,118,972	51,021,263	9,766,416	61,374,111
	106,638,757	670,139,278	106,093,439	666,712,389

Income statement

	December 31, 2014		June 30, 2014	
	US$	Equivalent in bolivars	US$	Equivalent in bolivars
Interest income	1,312,504	8,248,038	1,369,016	8,603,170
Interest expense	(372,049)	(2,338,029)	(318,674)	(2,002,611)
Expenses from uncollectible loans	(1,484,828)	(9,330,955)	(465,000)	(2,922,153)
Other operating income	1,313,954	8,257,152	597,101	3,752,302
Other operating expenses	(144,079)	(905,422)	(34,925)	(219,476)
Operating expenses	(159,206)	(1,000,483)	(121,984)	(766,572)
Sundry operating income	2,594	16,315	3,250	20,431
Income tax expense	(3,019)	(18,969)	(2,267)	(14,246)
Net income for the period	465,871	2,927,647	1,026,517	6,450,845

The equivalent amounts in bolivars shown in the above financial statements at December 31 and June 30, 2014 have been translated at the official exchange rate of Bs 6.2842/US$1.

9. Available-for-sale assets

Available-for-sale assets comprise the following:

	December 31, 2014			June 30, 2014		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	(In bolivars)					
Real property received as payment (Note 6)	1,160,073	(782,449)	377,624	13,344,174	(11,308,244)	2,035,930
Idle construction in progress	-	-	-	524,591	(465,354)	59,237
	1,160,073	(782,449)	377,624	13,868,765	(11,773,598)	2,095,167

During the six-month period ended December 31, 2014, the Bank recorded amortization expenses of Bs 1,938,678 (Bs 4,737,268 during the six-month period ended June 30, 2014), shown in the income statement under expenses from available-for-sale assets.

During the six-month period ended June 30, 2014, the Bank sold personal and real property received as payment with a book value of Bs 12,165,095, resulting in a gain on sale of Bs 49,429,671, shown in the income statement under income from available-for-sale assets.

Below is the movement in the balance of available-for-sale assets for the six-month periods ended December 31 and June 30, 2014:

	Cost			
	Balances at June 30, 2014	Additions	Disposals and other	Balances at December 31, 2014
	(In bolivars)			
Real property received as payment (Note 6)	13,344,174	221,135	(12,405,236)	1,160,073
Idle construction in progress	524,591	-	(524,591)	-
	13,868,765	221,135	(12,929,827)	1,160,073

	Accumulated amortization			
	Balances at June 30, 2014	Additions	Disposals and other	Balances at December 31, 2014
	(In bolivars)			
Real property received as payment	(11,308,244)	(1,879,441)	12,405,236	(782,449)
Idle construction in progress	(465,354)	(59,237)	524,591	-
	(11,773,598)	(1,938,678)	12,929,827	(782,449)

	Cost			
	Balances at December 31, 2013	Additions	Disposals and other	Balances at June 30, 2014
	(In bolivars)			
Real property received as payment (Note 6)	55,095,991	-	(41,751,817)	13,344,174
Idle buildings	5,154,751	-	(5,154,751)	-
Idle construction in progress	524,591	-	-	524,591
	60,775,333	-	(46,906,568)	13,868,765

	Accumulated amortization			
	Balances at December 31, 2013	Additions	Disposals and other	Balances at June 30, 2014
	(In bolivars)			
Real property received as payment	(37,577,533)	(3,317,433)	29,586,722	(11,308,244)
Idle construction in progress	(334,207)	(1,419,835)	1,288,688	(465,354)
	(37,911,740)	(4,737,268)	30,875,410	(11,773,598)

At December 31, 2014, the Bank received real property as payment for Bs 221,135 and sent to SUDEBAN the related information in order to comply with Article No. 101 of the Law on Banking Sector Institutions.

10. Property and equipment

Property and equipment comprises the following:

	Useful life (years)	December 31, 2014 Cost	December 31, 2014 Accumulated depreciation	December 31, 2014 Net	June 30, 2014 Cost	June 30, 2014 Accumulated depreciation	June 30, 2014 Net
		(In bolivars)					
Land		63,283,457	-	63,283,457	34,283,457	-	34,283,457
Buildings and facilities	40	471,942,950	(36,950,825)	434,992,125	442,613,091	(31,195,627)	411,417,464
Computer hardware, includes US$2,141 (US$3,031 at June 30, 2014) (Note 4)	4	215,908,553	(84,329,691)	131,578,862	135,908,053	(64,103,970)	71,804,083
Furniture and equipment, includes US$9,656 (US$9,261 at June 30, 2014 (Note 4)	Between 4 and 10	483,920,806	(108,477,186)	375,443,620	338,846,689	(86,452,609)	252,394,080
Vehicles	5	7,355,906	(4,709,218)	2,646,688	7,369,266	(4,230,377)	3,138,889
Equipment for Chip project	10	8,364,969	(2,591,262)	5,773,707	8,364,969	(2,173,014)	6,191,955
Construction in progress		129,553,970	-	129,553,970	77,433,625	-	77,433,625
		1,380,330,611	(237,058,182)	1,143,272,429	1,044,819,150	(188,155,597)	856,663,553
Other property		10,434,412	-	10,434,412	10,434,412	-	10,434,412
		1,390,765,023	(237,058,182)	1,153,706,841	1,055,253,562	(188,155,597)	867,097,965

During the six-month period ended December 31, 2014, the Bank recorded depreciation expenses of Bs 49,552,559 (Bs 36,141,589 during the six-month period ended June 30, 2014), shown in the income statement under general and administrative expenses (Note 21).

At December 31 and June 30, 2014, the balance of construction in progress is in respect of construction and remodeling work to the Bank's main office and to existing and new agencies, which is in compliance with the Accounting Manual.

Below is the movement in property and equipment for the six-month periods ended December 31 and June 30, 2014:

	Cost				
	Balances at June 30, 2014	Additions	Disposal	Reclassifications and other	Balances at December 31, 2014
	(In bolivars)				
Land	34,283,457	-	-	29,000,000	63,283,457
Buildings and facilities	442,613,091	11,582,613	-	17,747,246	471,942,950
Computer hardware	135,908,053	80,030,331	(29,831)	-	215,908,553
Furniture and equipment	338,846,689	145,984,067	(909,950)	-	483,920,806
Vehicles	7,369,266	-	(13,360)	-	7,355,906
Equipment for Chip project	8,364,969	-	-	-	8,364,969
Construction in progress	77,433,625	98,867,591	-	(46,747,246)	129,553,970
Other property	10,434,412	-	-	-	10,434,412
	1,055,253,562	336,464,602	(953,141)	-	1,390,765,023

	Accumulated depreciation				
	Balances at June 30, 2014	**Depreciation expense**	**Disposal**	**Reclassifications and other**	**Balances at December 31, 2014**
			(In bolivars)		
Buildings and facilities	31,195,627	5,755,198	-	-	36,950,825
Computer hardware	64,103,970	20,255,552	(29,831)	-	84,329,691
Furniture and equipment	86,452,609	22,631,360	(606,783)	-	108,477,186
Vehicles	4,230,377	492,201	(13,360)	-	4,709,218
Equipment for Chip project	2,173,014	418,248	-	-	2,591,262
	188,155,597	49,552,559	(649,974)	-	237,058,182

	Cost				
	Balances at December 31, de 2013	**Additions**	**Disposal**	**Reclassifications and other**	**Balances at June 30, 2014**
			(In bolivars)		
Land	34,283,457	-	-	-	34,283,457
Buildings and facilities	345,912,234	80,842,425	-	15,858,432	442,613,091
Computer hardware	113,387,320	28,055,638	(5,534,905)	-	135,908,053
Furniture and equipment	272,629,304	70,169,503	(4,154,218)	202,100	338,846,689
Vehicles	7,629,266	-	(260,000)	-	7,369,266
Equipment for Chip project	8,364,969	-	-	-	8,364,969
Construction in progress	70,034,466	30,117,066	(6,657,375)	(16,060,532)	77,433,625
Other property	8,418,412	2,016,000	-	-	10,434,412
	860,659,428	211,200,632	(16,606,498)	-	1,055,253,562

	Accumulated depreciation				
	Balances at December 31, de 2013	**Depreciation expense**	**Disposal**	**Reclassifications and other**	**Balances at June 30, 2014**
			(In bolivars)		
Buildings and facilities	25,133,639	6,061,988	-	-	31,195,627
Computer hardware	51,787,508	12,319,965	(3,503)	-	64,103,970
Furniture and equipment	69,971,974	16,822,582	(341,947)	-	86,452,609
Vehicles	3,841,570	518,805	(129,998)	-	4,230,377
Equipment for Chip project	1,754,765	418,249	-	-	2,173,014
	152,489,456	36,141,589	(475,448)	-	188,155,597

11. Acquisition and merger of Stanford Bank, S.A., Banco Comercial

On February 18, 2009, SUDEBAN, with the approval of the BCV's Board of Directors and the Higher Banking Council, resolved to take control of Stanford Bank, S.A., Banco Comercial (hereinafter Stanford Bank) in Venezuela. At a Special Shareholders' Meeting of Stanford Bank on April 29, 2009, it was resolved to issue 757,000 new common shares with a par value of Bs 100 each with a view to replenishing Stanford Bank's capital stock, which had been approved at a Special Shareholders' Meeting on March 5, 2009. These shares were fully subscribed by Banfoandes Banco Universal, C.A.

On May 5, 2009, SUDEBAN, through Notice No. SBIF-DSB-06532, notified the Bank that it was qualified to participate in the auction for the acquisition of Stanford Bank to be held on May 8, 2009. Likewise, SUDEBAN, through Notice No. SBIF-DSB-06535 of the same date, informed the Bank that the auction winner would be awarded the following privileges:

a) A 15-year term over which to amortize expenses incurred during the first six months of operations of Stanford Bank, such as personnel, administrative and operating expenses.

b) Authorization to maintain the accounting classification of loans that require rescheduling due to Stanford Bank's intervention resulting in a change of the original loan terms, provided that current credit conditions were maintained.

c) Reduction of requirements necessary for approval of the Merger Plan.

d) Inclusion in the purchasing entity's books of Stanford Bank's assets and liabilities once SUDEBAN authorized the merger. SUDEBAN would give such authorization within 120 days after the Merger Plan was submitted.

e) SUDEBAN would request the BCV's cooperation to increase the credit line granted to the auction winner under the Reciprocal Payment Agreement of ALADI member countries by Stanford Bank's quota (US$3,500,000).

On May 8, 2009, the Bank won the bid to purchase Stanford Bank at an auction conducted at the headquarters of the People's Power Ministry for the Economy and Finance offering Bs 240,007,777. On that same date, the Bank and Banfoandes signed a stock sale agreement that sets forth, among other things:

- The sale price of the 757,000 common shares was set at Bs 75,700,000.

- Regarding the difference between the offering price and the share price, the Bank would: a) approve and pay Bs 121,973,325 to absorb Stanford Bank's losses and b) approve capital contributions of Bs 42,334,452 and record them under contributions pending capitalization in Stanford Bank's balance sheet.

- The Bank would conduct the merger by absorption of Stanford Bank under the terms set forth by SUDEBAN.

On May 14, 2009, Banfoandes sold and transferred 757,000 common shares of Stanford Bank to the Bank, with a par value of Bs 100 each.

In addition, Stanford Bank's Intervention Board, appointed by SUDEBAN through Resolution No. 139-09 of March 27, 2009, delivered Stanford Bank's trial balance to the Bank at May 14, 2009.

Below is a summary of Stanford Bank's (unaudited) balance sheet at May 14, 2009:

	(In bolivars)
Assets	
Cash and due from banks	44,034,196
Investment securities	42,015,988
Loan portfolio	244,598,426
Interest and commissions receivable	10,260,148
Property and equipment	7,930,389
Other assets	12,522,149
Total assets	361,361,296
Liabilities and Equity	
Liabilities	
Customer deposits	326,110,212
Borrowings	39,837,565
Other liabilities from financial intermediation	24,177
Interest and commissions payable	413,842
Accruals and other liabilities	26,876,443
Total liabilities	393,262,239
Equity (deficit)	(31,900,943)
Total liabilities and equity	361,361,296
Memorandum accounts	
Contingent debtor accounts	41,537,662
Assets received in trust	370,467
Other debtor memorandum accounts	829,373,870

The merger by absorption of Stanford Bank into the Bank was approved at a Special Shareholders' Meeting of Stanford Bank held on May 14, 2009. Likewise, on May 21, 2009, SUDEBAN, through Resolution published in Official Gazette No. 39,183, resolved to cease the intervention of Stanford Bank after it was acquired by the Bank.

Subsequently, at a Special Shareholders' Meeting of the Bank on May 26, 2009, the merger by absorption of Stanford Bank, the Merger Plan and the merger balance sheet were approved. As a result of the merger:

- Stanford Bank's capital stock, assets and liabilities would be transferred to the Bank under universal title, in conformity with the Venezuelan Code of Commerce.

- The Bank's capital and number of shares would remain the same.

- Stanford Bank would cease to exist as established under Article No. 340 of the Venezuelan Code of Commerce.

At the aforementioned meeting, the Board of Directors was authorized to conduct the merger.

On May 27, 2009, the Bank sent a communication to SUDEBAN that included the minutes of the Special Shareholders' Meeting held on May 26, 2009, the Merger Plan and a request for authorization to make the merger effective at June 30, 2009. Subsequently, through Resolution No. 249-09 published in Official Gazette No. 39,193 on June 4, 2009, SUDEBAN authorized the merger by absorption of Stanford Bank into the Bank and indicated that the merger would become effective when the minutes were registered with the relevant Mercantile Registry. The merger became effective on June 8, 2009.

A summary of the assets and liabilities absorbed by the Bank on June 8, 2009 is shown below:

	(In bolivars)
Assets	
Cash and due from banks	292,675,637
Investment securities	36,892,138
Loan portfolio	243,018,374
Interest and commissions receivable	14,362,791
Property and equipment	7,930,389
Other assets	13,200,492
Total assets	608,079,821
Liabilities	
Customer deposits	283,034,115
Other liabilities from financial intermediation	24,177
Interest and commissions payable	1,088,217
Accruals and other liabilities	109,883,205
Total liabilities	394,029,714
Total net assets	214,050,107

Through a communication sent to SUDEBAN on July 8, 2009, the Bank reported the balances of other assets related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, and expenses incurred from the merger date to June 30, 2009. The Bank also reported the balances of memorandum accounts related to unincurred projected expenses from July 1 to December 8, 2009, recorded in conformity with the Merger Plan authorized by SUDEBAN.

Subsequently, through a communication sent to SUDEBAN on February 22, 2010, the Bank reported all expenses incurred from the merger date to December 8, 2009. Below is a breakdown of these balances:

	(In bolivars)
Deferred expenses	
Salaries and employee benefits	9,688,352
General and administrative expenses	33,466,623
Other operating expenses and sundry operating expenses	5,648,964
Expenses from uncollectible loans and interest receivable	18,059,289
	66,863,228

As a result of the purchase and subsequent merger by absorption of Stanford Bank, the Bank has recorded Bs 16,295,648 at December 31, 2014 under other assets (Bs 17,160,904 at June 30, 2014), related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, net of accumulated amortization of Bs 9,662,022 (Bs 8,796,766 at June 30, 2014), and deferred charges of Bs 43,961,898 (Bs 46,159,992 at June 30, 2014), net of accumulated amortization of Bs 21,980,948 (Bs 19,782,853 at June 30, 2014) (Note 12).

The difference in the purchase price and deferred charges, in conformity with the Merger Plan submitted to SUDEBAN on May 11 and 13, 2009 and approved at a Special Shareholders' Meeting on May 26, 2009, and following the instructions contained in Notice No. SBIF-DSB-06535 issued by SUDEBAN on May 5, 2009 detailing the privileges that would be awarded to the Stanford Bank auction winner, will be amortized over 15 years from June 8, 2009 and January 1, 2010, respectively.

12. Other assets

Other assets comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Deferred expenses		
Leasehold improvements, net of amortization	107,431,960	92,344,833
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities, net of accumulated amortization of Bs 9,662,022 (Bs 8,796,766 at June 30, 2014) (Note 11)	16,295,648	17,160,904
Chip project expenses (Note 2)	488,678	693,997
Licenses	7,364,745	4,983,385
Operating system (software), includes US$3,981 (US$4,834 at June 30, 2014) (Note 4)	6,043,454	6,701,952
Other deferred expenses	1,284,984	30,940
	138,909,469	121,916,011
Deferred expenses of Stanford Bank, net of accumulated amortization of Bs 21,980,948 (Bs 19,782,853 at June 30, 2014) (Note 11)		
General and administrative expenses	21,742,088	22,829,192
Expenses from uncollectible loans	12,039,526	12,641,503
Salaries and employee benefits	6,414,307	6,735,022
Other operating expenses and sundry operating expenses	3,765,977	3,954,275
	43,961,898	46,159,992
Carried forwards	182,871,367	168,076,003

	December 31, 2014	June 30, 2014
	(In bolivars)	
Brought forwards	182,871,367	168,076,003
Advances on purchase options on premises owned by the Bank	456,402,915	73,317,797
Advances to suppliers (includes US$150,000 at June 30, 2014)	115,315,427	104,378,317
Resale agreements with Agroinvest Casa de Bolsa de Productos Agrícolas, C.A., with a par value of Bs 56,867,535, and 13.5% annual yield	59,854,137	59,854,137
Stationery and sundry supplies	52,683,934	50,576,702
Credit card-related accounts receivable and balance offsetting	17,346,558	7,219,484
Guarantee deposits, includes US$774,044 (US$728,850 at June 30, 2014) (Note 4)	14,010,288	13,576,282
Other sundry accounts receivable, includes US$18,692 (US$17,213 at June 30, 2014)	13,870,278	9,861,723
Bank insurance	8,923,853	5,012,620
Inventories of chip credit and debit cards	7,529,874	6,045,012
Other prepaid expenses, includes US$622 (US$2,486 at June 30, 2014)	7,149,964	9,847,585
Prepaid taxes and subscriptions	2,508,416	3,020,824
Debt items pending reconciliation, includes US$308,898 (US$226,786 at June 30, 2014)	2,311,867	1,827,873
Accounts receivable from employees	1,994,255	8,148,321
Time deposits with Banco Real, Banco de Desarrollo, C.A., with a par value of Bs 1,800,000, 15% annual yield	1,845,000	1,845,000
Claims	623,868	-
Deferred income tax (Note 18)	614,799	1,232,000
Accounts receivable from the Mandatory Housing Savings Fund	9,875	13,926
Contribution required under the Law for the Advancement of Science, Technology and Innovation	-	7,751,541
Pending items, includes US$80,000 (US$49,600 at June 30, 2014)	91,870,246	74,614,035
	1,037,736,921	606,219,182
Provision for other assets, includes US$84,785 (US$843 at June 30, 2014)	(105,303,711)	(89,869,673)
	932,433,210	516,349,509

Advances for purchase options on premises owned by the Bank were granted to purchase administrative offices and bank agencies for Bs 280,000,000 and Bs 176,402,915, respectively (Bs 73,317,797 to purchase bank agencies at June 30, 2014).

The Bank has a matured time deposit of Bs 1,800,000 and interest receivable of Bs 45,000 with Banco Real, Banco de Desarrollo, C.A., which is being liquidated by the Venezuelan government. The Bank has recorded a provision for the full amount of this deposit with a charge to the equity account exchange gain from holding foreign currency assets and liabilities, in conformity with SUDEBAN instructions contained in Notice No. SBII-DSB-II-GGI-G18-04461 of May 26, 2010 and Notice No. SBII-DSB-II-GGI-BPV-GIBPV2-13090 of August 6, 2010.

The Bank maintains an expired resale agreement with Agroinvest Casa de Bolsa de Productos Agrícolas, C.A. for Bs 56,867,535 and interest receivable in this connection for Bs 2,986,602, secured by pledge bonds issued by a company whose assets have been preventively seized. At December 31 and June 30, 2014, the Bank recorded a provision for the full amount of this transaction, which is included in the provision for other assets.

Through a joint resolution issued on July 29, 2011, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Communes and Social Protection established the mechanisms to assign resources for financing projects developed by communal councils or other forms of social organization. In accordance with this Resolution, banks will earmark 5% of their gross pre-tax income to the National Communal Council Fund (SAFONACC) within 30 days of period end. On August 22, 2011, SUDEBAN issued Resolution No. 233-11 to require banks to record this social contribution as a prepaid expense forming part of other assets and to amortize it at a rate of 1/6 per month in the income statement within sundry operating expenses beginning in January or July, as appropriate to each six-month period. In July and January 2014, the Bank paid Bs 24,302,156 and Bs 18,862,210, respectively, in this connection (Note 20).

At December 31 and June 30, 2014, advances to suppliers for Bs 115,315,427 and Bs 104.378.317, respectively, mainly correspond to purchases of equipment, teller machines and remodeling of agencies.

At December 31 and June 30, 2014, other sundry accounts receivable are mainly in respect of accounts receivable from employees in connection with insurance policies and reimbursable expenses for Bs 7,278,828 and Bs 2,806,873, respectively; claims and in-transit credit and debit card operations for Bs 2,340,194 and Bs 2,141,351, respectively, and other accounts receivable for Bs 959,322 and Bs 1,554,337, respectively. In addition, at December 31 and June 30, 2014, other sundry accounts receivable also include Bs 2,416,501 and Bs 3,359,162, respectively, in connection with tax on financial transactions reimbursed to tax exempt clients, withheld by the Bank and paid to the Tax Authorities, and taxes withheld by third parties. The Bank has set aside a provision for Bs 1,834,123 in this connection, under provision for other assets.

At December 31, 2014, other sundry accounts receivable include Bs 875,433 in respect of reimbursements receivable from debit card providers.

Deferred expenses comprise the following:

	December 31, 2014			June 30, 2014		
	Cost	Accumulated amortization	Book value	Cost	Accumulated amortization	Book value
	(In bolivars)					
Leasehold improvements	156,499,844	(49,067,884)	107,431,960	132,157,191	(39,812,358)	92,344,833
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	(9,662,022)	16,295,648	25,957,670	(8,796,766)	17,160,904
Chip project expenses	1,642,556	(1,153,878)	488,678	1,642,556	(948,559)	693,997
Licenses	22,100,813	(14,736,068)	7,364,745	15,756,341	(10,772,956)	4,983,385
Operating system (software)	17,507,457	(11,464,003)	6,043,454	12,886,986	(6,185,034)	6,701,952
Other deferred expenses	1,623,138	(338,154)	1,284,984	459,521	(428,581)	30,940
Deferred expenses of Stanford Bank						
General and administrative expenses	32,613,131	(10,871,043)	21,742,088	32,613,131	(9,783,939)	22,829,192
Expenses from uncollectible loan portfolio	18,059,289	(6,019,763)	12,039,526	18,059,289	(5,417,786)	12,641,503
Salaries and employee benefits	9,621,462	(3,207,155)	6,414,307	9,621,462	(2,886,440)	6,735,022
Other operating expenses and sundry operating expenses	5,648,964	(1,882,987)	3,765,977	5,648,964	(1,694,689)	3,954,275
	291,274,324	(108,402,957)	182,871,367	254,803,111	(86,727,108)	168,076,003

Through Resolution No. 262-10 of May 19, 2010, SUDEBAN modified the Accounting Manual to require the recording of disbursements made in connection with the project for the new chip-based credit and debit cards. These disbursements include licenses, software, training and other personnel expenses, accommodation of physical spaces, and replacement of debit and credit cards. The deadline for completing project stages is September 30, 2011. In addition, associated disbursements may be amortized beginning January 2011 using the straight-line method provided that the financial institutions have completed the project satisfactorily. The amortization terms are detailed below:

Items	Years
Advisory	1
Advertising and client information	2
Training and other personnel expenses	2
Accommodation of physical spaces	3
Replacement of debit and credit cards	3
Licenses	6
Software	6

Subsequently, through Notice No. SIB-II-GGIR-GRF-31209 of September 29, 2011, SUDEBAN extended the deadline for project completion until December 31, 2011, maintaining the initial amortization benefit for project-related expenses. At December 31 and June 30, 2014, deferred expenses include Bs 488,678 and Bs 693,997, respectively, in this connection.

The balance of pending items comprises the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
In-transit operations (internet deposit remittances)	90,611,539	68,256,033
In-transit operations (bank tellers and remittances in foreign currency) includes US$80,000 (US$49,600 at June 30, 2014) (Note 4)	570,573	353,589
Cash shortages	557,512	77,084
Other pending items	130,622	5,927,329
	91,870,246	74,614,035

At December 31 and June 30, 2014, in-transit operations for Bs 90,611,539 and Bs 68,256,033, respectively, relate to in-transit cash remittances from customer deposits, which clear in the first days of January 2015 and July 2014, respectively.

Below is the movement in the provision for other assets:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Balance at the beginning of the period	89,869,673	80,408,143
Provided in the period (Note 20)	19,032,157	11,566,511
Write-offs of unrecoverable accounts	(3,598,119)	(2,104,981)
Balance at the end of the period	105,303,711	89,869,673

Below is the movement in deferred expenses for the six-month periods ended December 31 and June 30, 2014:

	Cost			
	Balances at June 30, 2014	**Additions**	**Disposal**	**Balances at December 31, 2014**
	(In bolivars)			
Leasehold improvements	132,157,191	77,849,646	(53,506,993)	156,499,844
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	-	25,957,670
Chip project expenses	1,642,556	-	-	1,642,556
Operating system (software)	12,886,986	4,620,471	-	17,507,457
Licenses	15,756,341	7,564,944	(1,220,472)	22,100,813
Other deferred expenses	459,521	1,623,138	(459,521)	1,623,138
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	-	32,613,131
Expenses from uncollectible loans	18,059,289	-	-	18,059,289
Salaries and employee benefits	9,621,462	-	-	9,621,462
Other operating expenses and sundry operating expenses	5,648,964	-	-	5,648,964
	254,803,111	91,658,199	(55,186,986)	291,274,324

	Accumulated amortization			
	Balances at June 30, 2014	**Amortization expense**	**Disposal**	**Balances at December 31, 2014**
	(In bolivars)			
Leasehold improvements	39,812,358	15,356,705	(6,101,179)	49,067,884
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	8,796,766	865,256	-	9,662,022
Chip project expenses	948,559	205,319	-	1,153,878
Licenses	10,772,956	5,183,584	(1,220,472)	14,736,068
Operating system (software)	6,185,034	5,278,969	-	11,464,003
Other deferred expenses	428,581	369,094	(459,521)	338,154
Deferred expenses of Stanford Bank				
General and administrative expenses	9,783,939	1,087,104	-	10,871,043
Expenses from uncollectible loans	5,417,786	601,977	-	6,019,763
Salaries and employee benefits	2,886,440	320,715	-	3,207,155
Other operating expenses and sundry operating expenses	1,694,689	188,298	-	1,882,987
	86,727,108	29,457,021	(7,781,172)	108,402,957

	Cost			
	Balances at December 31, 2013	Additions	Disposal	Balances at June 30, 2014
	(In bolivars)			
Leasehold improvements	115,676,717	40,321,495	(23,841,021)	132,157,191
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	-	25,957,670
Chip project expenses	1,642,556	-	-	1,642,556
Operating system (software)	6,310,558	6,576,428	-	12,886,986
Licenses	12,959,089	2,797,252	-	15,756,341
Other deferred expenses	459,521	-	-	459,521
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	-	32,613,131
Expenses from uncollectible loans	18,059,289	-	-	18,059,289
Salaries and employee benefits	9,621,462	-	-	9,621,462
Other operating expenses and sundry operating expenses	5,648,964	-	-	5,648,964
	228,948,957	49,695,175	(23,841,021)	254,803,111

	Accumulated amortization			
	Balances at December 31, 2013	Amortization expense	Disposal	Balances at June 30, 2014
	(In bolivars)			
Leasehold improvements	39,986,434	11,505,141	(11,679,217)	39,812,358
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	7,931,510	865,256	-	8,796,766
Chip project expenses	743,239	205,320	-	948,559
Licenses	5,821,646	4,951,310	-	10,772,956
Operating system (software)	2,590,375	3,594,659	-	6,185,034
Other deferred expenses	360,168	68,413	-	428,581
Deferred expenses of Stanford Bank				
General and administrative expenses	8,696,835	1,087,104	-	9,783,939
Expenses from uncollectible loans	4,815,810	601,976	-	5,417,786
Salaries and employee benefits	2,565,724	320,716	-	2,886,440
Other operating expenses and sundry operating expenses	1,506,390	188,299	-	1,694,689
	75,018,131	23,388,194	(11,679,217)	86,727,108

Leasehold improvements include additions in the second semester of 2014 for Bs 77,849,646 (Bs 40,321,495 at June 30, 2014) mainly in respect of improvements to the Bank's agencies.

During the six-month period ended December 31, 2014, the Bank recorded amortization of deferred expenses of Bs 29,457,021 (Bs 23,388,194 during the six-month period ended June 30, 2014), shown in the income statement under general and administrative expenses (Note 21).

13. Customer deposits

Customer deposits comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Checking account deposits and certificates		
Non-interest-bearing checking accounts	31,674,664,748	22,847,715,361
Interest-bearing checking accounts	7,711,219,365	8,009,033,127
Checking accounts under Exchange Agreement No. 20, equivalent to US$22,745,746 (US$50,492,412 at June 30, 2014) (Note 4)	142,938,821	317,304,412
Demand deposits and certificates		
Public, State and Municipal Administration	83,000,000	1,509,836,771
Non-negotiable demand deposits, bearing annual interest at between 0% and 16%, maturing between January and December 2015	7,524,910,364	4,913,571,677
	47,136,733,298	37,597,461,348
Other demand deposits		
Cashier's checks	364,455,372	421,314,311
Advance collections from credit card holders	14,614,086	8,025,111
Advance deposits for letters of credit	160,154,367	197,582,856
Trust fund liabilities (Note 22)	171,402,357	22,356,520
Housing Savings Fund liabilities (Note 22)	2,293,403	579,458
	712,919,585	649,858,256
Savings deposits, bearing 16% annual interest for savings deposits for individuals with daily balances under Bs 20,000, 12.50% for other deposits in bolivars, and 0.125% for deposits in U.S. dollars, includes US$51,531,399 and €934,962 (US$42,825,859 and €327,773 at June 30, 2014) (Note 4)	14,313,243,665	10,290,518,717
Time deposits, bearing 14.50% annual interest for deposits in bolivars and at between 0.02% and 3.50% for deposits in U.S. dollars, includes US$17,568,434 (US$17,350,360 at June 30, 2014), with the following maturities (Note 4)		
Up to 30 days	900,240,009	1,112,363,794
31 to 60 days	1,677,846,017	719,627,365
61 to 90 days	602,056,326	309,032,820
91 to 180 days	91,140,651	86,572,772
181 to 360 days	149,702,488	253,886,862
Over 361 days	60,062,500	60,092,000
	3,481,047,991	2,541,575,613
Restricted customer deposits	34,622,745	61,136,308
	65,678,567,284	51,140,550,242

At December 31 and June 30, 2014, restricted customer deposits correspond to guarantee deposits for loans granted by the Branch.

Deposits from the Venezuelan government and government agencies comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Non-interest-bearing checking accounts	1,461,252,985	1,697,142,840
Interest-bearing checking accounts, at 0.25% annual interest	762,630,739	558,718,554
Savings deposits, at 12.5% annual interest	105,919,241	84,472,928
Non-negotiable demand deposits	83,000,000	1,509,836,771
Time deposits, at 14.5% annual interest	16,677,624	175,619,782
	2,429,480,589	4,025,790,875

At a Special Shareholders' Meeting on March 26, 2014, the Board of Directors was authorized to issue commercial papers with a par value of Bs 200,000,000 and fixed maturities ranging from 15 to 360 days as from the date each series is issued. These commercial papers may not be paid in advance and shall mature within the deadline set in the SNV's authorization. This issue was approved by SUDEBAN on July 1, 2014 through Notice No. SIB-II-GGIBPV-GIBPV2-22407. To date, the Bank is awaiting approval from the SNV.

14. Borrowings

Borrowings comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Borrowings from Venezuelan financial institutions, up to one year		
Demand deposits of financial institutions	1,339,678	723,438
Borrowings from foreign financial institutions, up to one year		
Demand deposits		
Checking account with Caracas International Banking Corporation, at 0.25% per annum (Note 26)	392,504	693,851
Checking account with Bancaribe Curacao Bank, N.V.	626,694	-
Borrowings from foreign financial institutions		
Loans with Bancaribe Curacao Bank N.V. for US$10,000,000, at 2.9% per annum, maturing in July 2014	-	62,842,000
	1,019,198	63,535,851
	2,358,876	64,259,289

At June 30, 2014, borrowings from foreign financial institutions for US$10,000,000, equivalent to Bs 62,842,000, were used to settle obligations with foreign financial correspondents.

15. Other liabilities from financial intermediation

At December 31 and June 30, 2014, other liabilities from financial intermediation of US$1,856,508, equivalent to Bs 11,666,667, and US$4,055,521, equivalent to Bs 25,485,703, respectively, correspond to liabilities arising from operations with letters of credit (Note 4).

16. Interest and commissions payable

Interest and commissions payable comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Expenses payable on customer deposits		
Deposits in interest-bearing checking accounts	-	361,476
Non-negotiable demand deposits	33,280,814	12,672,348
Time deposits, includes US$24,336 (US$10,113 at June 30, 2014) (Note 4)	50,289,698	42,871,558
	83,570,512	55,905,382
Expenses payable on borrowings		
Expenses payable on borrowings, equivalent to US$20,977 (Notes 4 and 14)	-	131,823
	83,570,512	56,037,205

17. Accruals and other liabilities

Accruals and other liabilities comprise the following:

	December 31, 2014	June 30, 2014 (1)	Reclassifications	June 30, 2014 (2)
		(In bolivars)		
Pending items, includes US$564,313 and €9,412 (US$12,156,823 at June 30, 2014) (Note 4)	634,954,131	572,710,368	-	572,710,368
Deferred interest income, includes US$1,093,441 (US$742,406 at June 30, 2014) (Notes 2-k, 4 and 5-b)	94,646,935	69,537,799	1,176,219	68,361,580
Accrual for length-of-service benefits (Notes 1 and 2-j)	86,487,042	42,449,049	-	42,449,049
Tax withholdings	80,005,880	37,839,798	-	37,839,798
Suppliers and other sundry payables	50,385,831	50,376,408	(5,776,112)	56,152,520
Municipal and other taxes	49,258,105	22,839,131	-	22,839,131
Vacation and vacation bonus payable (Note 2-j)	35,314,920	32,378,572	-	32,378,572
Provisions for contingent loans (Note 22)	25,795,876	16,403,614	-	16,403,614
Other provisions	20,977,524	24,648,370	(12,404,442)	37,052,812
Fees for credit and debit card services	16,991,090	16,989,579	16,989,579	-
Cashier's checks	16,978,411	21,620,880	-	21,620,880
Labor contributions and withholdings payable	12,417,614	7,656,656	-	7,656,656
Leases	11,620,400	14,809,681	-	14,809,681
Contribution for the prevention of money laundering	11,499,084	4,910,034	-	4,910,034
Sports and Physical Education Law (Note 1)	9,871,671	3,290,438	-	3,290,438
Professional fees payable	8,311,587	10,930,688	(25,137)	10,955,825
Income tax provision, includes US$5,367 (US$2,348 at June 30, 2014) (Notes 4 and 18)	4,478,708	4,459,739	14,756	4,444,983
Accounts payable in foreign currency, equivalent to US$529,983 (US$631,031 at June 30, 2014) (Note 4)	3,330,517	3,965,529	162,655	3,802,874
Other personnel expenses	2,173,154	6,021,682	-	6,021,682
Ezequiel Zamora Fund withholdings (Note 6)	1,374,865	1,176,219	-	1,176,219
Advertising payable	121,784	299,566	-	299,566
Profit sharing (Note 2-j)	147	32,184,391	-	32,184,391
Other, includes US$4,000 (US$18,435 at June 30, 2014) (Note 4)	1,735,064	760,535	(137,518)	898,053
	1,178,730,340	998,258,726	-	998,258,726

(1) Amounts have been reclassified for comparative purposes.

(2) Amounts previously reported according to financial statements at June 30, 2014 and December 31, 2013 and Report of Independent Accountants of August 22, 2014.

Deferred interest income mainly relates to loan interest collected in advance, commissions and deferred gain on sale of securities (Note 5-b).

At December 31 and June 30, 2014, other provisions include Bs 9,426,300 in connection with accounts payable to CADIVI on credit card transactions abroad from 2006 to 2009 and the first ten days of January 2010, recorded in conformity with CADIVI Notice No. PREVECPGSCO-00001 of January 2, 2012. On September 30, 2013, the Bank informed CADIVI about the reconciliation of these transactions conducted by users of the foreign currency administration system. At December 31, 2014, the Bank is awaiting for the respective authorizations from the BCV to sell the foreign currency.

At December 31, 2014, other provisions also include provision for municipal taxes, fines and interest of Bs 7,974,375 (Bs 9,182,125 at June 30, 2014) and other provisions of Bs 3,576,850 (Bs 1,570,052 at June 30, 2014).

At December 31 and June 30, 2014, fees for credit and debit card services of Bs 16,991,090 and Bs 16,989,579, respectively, mainly correspond to fees for the use of the VISA, Maestro, MasterCard and Suiche 7B trademarks and to point-of-sale and teller machine transactions. At December 31 and June 30, 2014, the Bank recorded expenses in this connection of Bs 34,819,354 and Bs 22,299,996, respectively, included within service fees under other operating expenses (Note 20).

At December 31 and June 30, 2014, accounts payable in foreign currency are mainly in respect of interest payable to clients for intermediation of securities in foreign currency.

At December 31 and June 30, 2014, suppliers and other sundry payables are mainly in respect of accounts payable for services of Bs 36,811,821 and Bs 34,753,849, respectively, pending claims, returns and credit cards of Bs 7,506,049 and Bs 5,347,636, respectively, and other accounts payable of Bs 6,067,961 and Bs 10,274,923, respectively.

Below is the movement in the provisions for contingent loans:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Balances at the beginning of the period	16,403,614	12,579,944
Reclassification from allowance for losses on loan portfolio (Note 6)	9,392,262	153,283
Reclassification from the provision for interest receivable (Note 7)	-	3,670,387
Balances at the end of the period	25,795,876	16,403,614

The balance of pending items comprises the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Point-of-sale transactions payable	250,081,366	137,362,646
Suiche 7B transactions payable	217,603,901	90,029,439
Other credit items pending reconciliation	125,980,846	107,070,535
Collection of government and municipal taxes	26,444,582	150,304,453
Other pending items, includes US$3,845 (US$6,142 at June 30, 2014)	10,579,597	10,955,424
Other credit items pending reconciliation, includes US$213,179 and €8,998 (US$216,531 and €9,412 at June 30, 2014)	1,779,060	1,822,576
Exchange agreement No. 20, equivalent to US$138,504 (US$115,073 at June 30, 2014)	870,387	723,140
In-transit operations through SICAD, equivalent to US$124,000 (US$2,005,281 at June 30, 2014)	779,241	12,601,584
Debit items in foreign currency pending reconciliation, equivalent to US$84,785 (US$843 at June 30, 2014)	532,807	5,296
Cash surplus	302,344	249,691
In-transit operations	-	61,585,584
	634,954,131	572,710,368

At December 31 and June 30, 2014, other credit items pending reconciliation mainly include clearinghouse balances of Bs 125,949,618 and Bs 107,070,535, respectively, which clear the next working day after their recording.

At December 31 and June 30, 2014, in-transit operations through SICAD for Bs 779,241 and Bs 12,601,584, respectively, relate to foreign currency trading pending liquidation to individuals awarded in BCV's auctions.

Point-of-sale transactions payable correspond to the use of points of sale of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

Suiche 7B transactions payable correspond to cash withdrawals from teller machines of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

At December 31 and June 30, 2014, collection of government and municipal taxes includes national and municipal taxes paid by individuals and corporations to the Tax Authorities between January 2 and 6, 2015, and July 1 and 2, 2014, respectively.

18. Taxes

a) Income tax

The Bank's tax year ends on December 31. The main differences between income/loss recognized for accounting and tax purposes arise from provisions and accruals that are normally tax deductible in subsequent periods, tax-exempt income from National Public Debt Bonds and other securities issued by the Venezuelan government and the net effect of the annual inflation adjustment.

Venezuelan Income Tax Law of February 16, 20117 allowed tax losses to be carried forward for three years to offset taxable income, except those arising from the annual inflation adjustment, which could be carried forward for only one year. The Reform of the Income Tax Law was published in the Extraordinary Official Gazette on November 18, 2014. The Law establishes, among other things, that net operating losses may be carried forward for three years provided that they do not exceed 25% of annual income in each period, whereas uncompensated losses arising from the annual inflation adjustment may not be carried forward to future years. In addition, the Law excludes banking institutions from the tax inflation adjustment provided in it. This Reform is effective as from its publication in the Official Gazette and applies to tax years beginning after its effective date.

For the year ended December 31, 2014, the Bank estimated territorial tax losses of Bs 890,009,213 and extraterritorial tax gains of Bs 1,953,174. It also estimated a tax expense of Bs 1,232,000.

Below is the reconciliation between book income and net tax loss for the year ended December 31, 2014:

Statutory tax rate	34%
	(In bolivars)
Book income of 2014 before tax	1,139,009,476
Difference between book income and taxable income	
Effect of the annual inflation adjustment	(1,742,531,304)
Nondeductible provisions	
Loan portfolio, net	422,487,511
Interest on loan portfolio and other	(5,129,996)
Other assets	26,638,169
Other provisions	(15,082,828)
Tax-exempt income, net of related expenses	(865,089,334)
Social contributions	(8,012,894)
Municipal taxes	26,562,450
Realized exchange gain on sale of cash and securities	129,965,554
Other effects, net	1,173,983
Territorial tax loss	(890,009,213)
Tax loss from previous periods	(574,914,313)
Extraterritorial tax gain	1,953,174

At December 31, 2014, tax losses from the annual inflation adjustment amount to Bs 890,009,213.

During the six-month period ended December 31, 2014, the Branch recorded estimated income tax expense of US$3,019 (US$2,267 during the six-month period ended June 30, 2014). On June 27, 2013, the Curacao Tax Authorities approved the extension of Tax Ruling No. UR 11-1611 until December 31, 2015; according to this ruling, the Branch must calculate tax payable on the basis of 7% of the costs of its activities since the commencement of Branch operations, except for disbursement costs and interest on debt with a tax rate of 27.5%. Disbursements include costs of services provided by third parties which are not considered part of the Branch's activities, except for service fees, office and equipment leasing and telecommunication expenses, among others (Note 8).

The tax expense comprises the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Income tax	18,969	1,246,245
Deferred income tax	617,201	(50,239)
	636,170	1,196,006

b) Deferred income tax

Bank management recognizes a deferred tax asset in its financial statements when there is reasonable expectation that future tax results will allow its realization. Furthermore, the Accounting Manual establishes, among other things, that the Bank may not recognize a deferred tax asset for any amount exceeding taxable income (Note 2-i).

Bank management determined and evaluated the deferred tax asset recorded. The main differences between the tax base and the carrying amount at December 31 and June 30, 2014 relate to the provision for high-risk and uncollectible loans and interest receivable, property and equipment, deferred expenses and sundry provisions (Note 12). At December 31, 2014, the Bank maintains a deferred tax asset of Bs 614,799 (Bs 1,232,000 at June 30, 2014).

c) Transfer pricing

According to transfer-pricing regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. The Bank conducts transactions with related parties abroad. In June 2014, the Bank filed the transfer-pricing return (PT-99) for the year ended December 31, 2013.

19. Other operating income

Other operating income comprises the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Service fees (Note 22)	360,455,977	219,138,694
Gain on sale of investments in available-for-sale securities (Note 5-a)	167,458,089	230,502,256
Commissions on trust funds (Note 22)	13,774,265	9,297,975
Exchange gain (Notes 4 and 25-c)	7,473,434	3,567,576
Income from amortization of discount on held-to-maturity investments	1,110,397	13,473,555
	550,272,162	475,980,056

Sundry operating income comprises the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Income from expenses recovered	10,191,557	51,326,868
Other	2,403,752	577,477
	12,595,309	51,904,345

20. Other operating expenses

Other operating expenses comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Loss on sale of investments in available-for-sale securities (Note 5-a)	101,511,175	208,350,544
Amortization of premiums on held-to-maturity investments	58,595,702	40,659,647
Service fees (Note 17)	39,764,263	25,713,277
Exchange loss (Note 4)	10,189,660	4,677,540
	210,060,800	279,401,008

Sundry operating expenses comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Contribution to the National Fund for Communal Councils (Note 12)	24,302,156	18,862,210
Provision for other assets (Note 12)	19,032,157	11,566,511
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	7,751,541	7,751,541
Provision for other contingencies (Note 30)	3,750,000	2,693,050
Contribution for the Antidrug Law (Note 1)	6,589,050	4,910,034
Contribution for the Sports and Physical Education Law (Note 1)	6,581,233	4,843,598
Provision for pending vacation	1,429,000	4,175,849
Other	32,876	597,184
	69,468,013	55,399,977

21. General and administrative expenses

General and administrative expenses comprise the following:

	December 31, 2014	June 30, 2014 (1)	Reclassifications	June 30, 2014 (2)
	(In bolivars)			
Transportation of valuables and surveillance	157,412,451	124,292,791	4,719,352	119,573,439
Maintenance and repairs	123,488,469	90,307,411	19,354,218	70,953,193
Stationery and office supplies	96,633,621	54,805,056	-	54,805,056
Outsourced services	80,718,696	43,994,194	(89,453,070)	133,447,264
Taxes and contributions	75,160,285	53,139,087	-	53,139,087
Consulting and external audit	72,556,953	64,351,668	64,351,668	-
Leases	67,278,671	49,364,650	-	49,364,650
Depreciation and impairment of property and equipment (Note 10)	49,552,559	36,141,589	-	36,141,589
Transportation and communications	44,826,026	32,135,628	42,084	32,093,544
Advertising	39,819,153	33,250,356	-	33,250,356
Amortization of deferred expenses (Note 12)	29,457,021	23,388,194	-	23,388,194
Infrastructure expenses	28,601,343	15,685,298	15,685,298	-
Sundry general expenses	24,863,623	17,303,264	(14,430,222)	31,733,486
Insurance	6,038,729	5,196,435	-	5,196,435
Public relations	5,045,616	6,071,490	(2,923)	6,074,413
Legal advice	3,310,868	2,645,531	2,645,531	-
Utilities	2,495,135	1,691,899	-	1,691,899
Other	979,564	961,415	(2,304,407)	3,265,822
Legal fees	-	-	(607,529)	607,529
	908,238,783	654,725,956	-	654,725,956

(1) Amounts reclassified for comparative purposes.

(2) Amounts previously reported according to the financial statements at June 30, 2014 and December 31, 2013 and the Report of Independent Accountants of August 22, 2014.

22. Memorandum accounts

Memorandum accounts comprise the following:

	Six-month periods ended	
	December 31, 2014	**June 30, 2014**
	(In bolivars)	
Contingent debtor accounts		
Guarantees granted (Note 23)	235,992,719	365,252,319
Credit card lines (Note 23)	3,058,947,316	1,040,758,581
Lines of credit for discounts and factoring (Note 23)	16,308,823	26,076,284
Letters of credit issued but not negotiated, includes US$25,777,871 and €275,532 (US$32,214,995 and €48,615 at June 30, 2014) (Note 23)	169,508,147	208,274,167
Purchases of financial futures (Note 5-c)	225,000,000	-
	3,705,757,005	1,640,361,351
Assets received in trust	2,848,162,028	1,809,370,477
Debtor accounts from other special trust services (Housing Mutual Fund)	1,080,478,913	895,919,741
Other debtor memorandum accounts		
Guarantees received, includes US$17,184,000 (US$43,339,578 at June 30, 2014)	67,762,444,139	49,799,298,830
Lines of credit available	16,909,458,293	15,325,027,664
Assets held in custody, includes US$109,608,005 and €152,000 (US$88,356,325 and €152,000 at June 30, 2014)	2,946,956,296	11,359,553,383
Projection of possible losses from loans granted to individuals or corporations whose assets were subject to expropriation, occupation, intervention or preventively seized by the Venezuelan government	609,499,404	207,213,089
Uncollectible accounts written off	300,583,715	292,042,082
Deferred interest receivable on loans overdue and in litigation (Note 6)	180,696,284	115,133,715
Guarantees on collateral granted	126,659,256	50,689,420
Securities held by other financial institutions, includes US$15,477,100 (US$15,523,600 at June 30, 2014)	97,261,192	97,553,407
Collections in foreign currency, equivalent to US$13,733,769	86,305,752	86,305,752
Guarantees in foreign currency, equivalent to US$12,485,829 (US$42,810,505 at June 30, 2014)	78,463,449	269,029,774
Debt reconciling and written off items, includes US$399,879 and €9,048	22,906,329	19,336,593
Personal and real property written off	19,113,886	6,708,652
Foreign currency purchases, equivalent to US$1,093,184 and €2,275 (US$6,740,152 and €17,334 at June 30, 2014) (Note 4)	6,887,164	42,505,606
Tax receivable	1,616,964	1,616,964
Currency awarded through SICAD, includes US$124,000 (US$2,005,281 at June 30, 2014)	1,396,350	21,589,660
Mortgage guarantees pending release	86,605	86,605
Foreign currency sales, equivalent to US$1,093,184 and €2,275 (US$6,740,152 and €17,334 at June 30, 2014) (Note 4)	(6,887,164)	(42,505,606)
Other, includes US$165,248 (US$851,772 at June 30, 2014)	3,435,535	7,235,267
	89,146,883,449	77,658,420,857
	96,781,281,395	82,004,072,426

At December 31 and June 30, 2014, securities in custody of other financial institutions of Bs 97,261,192 and Bs 97,553,407, respectively, are held in Commerzbank, AG.

At December 31, 2014, in accordance with the Accounting Manual, the Bank has set aside a general and specific provision for contingent debtor accounts of Bs 25,795,876 (Bs 16,403,614 at June 30, 2014), shown under accruals and other liabilities (Note 17).

Below is a breakdown of assets received in trust:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Type of trust fund		
Administration	299,005,291	232,619,253
Length-of-service benefits	1,926,017,733	1,319,279,324
Investment	623,139,004	257,471,900
	2,848,162,028	1,809,370,477

At December 31, 2014, combined trust fund assets include Bs 1,133,446,525 in respect of trust funds opened by government agencies, representing 34.14% of total assets received in trust (Bs 1,024,809,795, representing 56.63% at June 30, 2014).

Combined trust fund accounts include the following balances, according to the financial statements of the trust:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Assets		
Cash and due from banks (Note 13)	171,402,357	22,356,520
Investment securities	1,783,964,397	1,112,411,240
Loan portfolio	861,652,205	654,872,544
Loans and advances to beneficiaries of length-of-service benefits	832,452,547	633,389,994
Advances to beneficiaries of infrastructure works	29,194,658	21,477,550
Loans receivable	5,000	5,000
Interest and commissions receivable		
Interest receivable on investment securities	31,143,063	19,730,167
Other assets	6	6
Total assets	2,848,162,028	1,809,370,477
Liabilities and Equity		
Liabilities		
Other liabilities	6,264,466	3,714,932
Total liabilities	6,264,466	3,714,932
Equity		
Capital assigned to trusts	2,704,384,055	1,723,660,137
Retained earnings	137,513,507	81,995,408
Total equity	2,841,897,562	1,805,655,545
Total liabilities and equity	2,848,162,028	1,809,370,477

At December 31 and June 30, 2014, cash and due from banks includes Bs 171,402,357 and Bs 22,356,520, respectively, related to funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds; they earn 6% annual interest.

Investment securities included in trust fund accounts, recorded at amortized cost, comprise the following:

	December 31, 2014			
	Acquisition cost	**Amortized cost**	**Fair value**	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 776,897,325, annual yield at between 9.98% and 17.26%, maturing between September 2015 and March 2027	813,023,990	804,547,986	842,288,293	(1) (a)
Fixed Interest Bond (TIF), with a par value of Bs 574,884,552, annual yield at between 9.88% and 18%, maturing between January 2015 and May 2028	660,028,159	655,323,629	679,678,967	(1) (a)
	1,473,052,149	1,459,871,615	1,521,967,260	
Debt securities issued by Venezuelan non-financial private-sector companies				
Debenture bonds				
Corporación Digitel, C.A., with a par value of Bs 40,284,000, annual yield at between 12.50% and 13%, maturing between November 2017 and 2018	40,436,840	40,398,905	40,284,000	(2) (b)
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 20,000,000, 10.27% annual yield, maturing in September 2017	20,000,000	20,000,000	20,000,000	(2) (b)
Netuno, C.A., with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	5,000,000	5,000,000	5,000,000	(2) (b)
	65,436,840	65,398,905	65,284,000	
Debt securities issued by Venezuelan financial private-sector companies				
Banco del Caribe, C.A., Banco Universal, with a par value of Bs 108,318,838, annual yield at between 8% and 10%, maturing in January 2015	108,318,838	108,318,838	108,318,838	(2) (g)
Banesco, C.A., Banco Universal, with a par value of Bs 84,179,781, 10% annual yield, maturing in January 2015	84,179,781	84,179,781	84,179,781	(2) (e)
Banco Exterior, C.A., Banco Universal, with a par value of Bs 44,539,045 annual yield at between 8% and 10%, maturing in January 2015	44,539,045	44,539,045	44,539,045	(2) (d)
Del Sur Banco Universal, C.A., with a par value of Bs 15,597,880, 12% annual yield, maturing in January 2015	15,597,880	15,597,880	15,597,880	(2) (f)
Banco Sofitasa Banco Universal, C.A., with a par value of Bs 6,058,333, 11% annual yield, maturing in January 2015	6,058,333	6,058,333	6,058,333	(2) (c)
	258,693,877	258,693,877	258,693,877	
	1,797,182,866	1,783,964,397	1,845,945,137	

	June 30, 2014			
	Acquisition cost	**Amortized cost**	**Fair value**	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 664,057,325, annual yield at between 10.24% and 17.50%, maturing between October 2014 and March 2027	678,310,847	673,275,742	725,526,019	(1) (a)
Fixed Interest Bonds (TIF), with a par value of Bs 331,588,100, annual yield at between 9.75% and 18%, maturing between August 2014 and March 2029	363,313,886	360,639,936	360,639,936	(1) (a)
	1,041,624,733	1,033,915,678	1,086,165,955	
Debt securities issued by Venezuelan non-financial private-sector companies				
Debenture bonds				
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 20,000,000, 10.53% annual yield, maturing in September 2017	20,000,000	20,000,000	20,000,000	(2) (b)
Netuno, C.A., with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	5,000,000	5,000,000	5,000,000	(2) (b)
Corporación Digitel, C.A., with a par value of Bs 40,284,000, annual yield at between 12.50% and 13%, maturing between November 2017 and 2018	40,436,840	40,418,697	40,418,697	(2) (b)
	65,436,840	65,418,697	65,418,697	

	June 30, 2014			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Debt securities issued by Venezuelan financial private-sector companies				
Banco Sofitasa, Banco Universal, C.A., with a par value of Bs 3,274,421, 6% annual yield, maturing in July 2014	3,274,421	3,274,421	3,274,421	(2) (c)
Bancrecer, S.A., Banco Microfinanciero, with a par value of Bs 3,263,406, 6% annual yield, maturing in July 2014	3,263,406	3,263,406	3,263,406	(2) (h)
Banco Activo, C.A., Banco Universal, with a par value of Bs 3,271,975, 8% annual yield, maturing in July 2014	3,271,975	3,271,975	3,271,975	(2) (i)
Del Sur Banco Universal, C.A., with a par value of Bs 3,267,063, 7% annual yield, maturing in July 2014	3,267,063	3,267,063	3,267,063	(2) (f)
	13,076,865	13,076,865	13,076,865	
	1,120,138,438	1,112,411,240	1,164,661,517	

(1) Fair value determined from trading operations on the secondary market or from the present value of estimated future cash flows.

(2) Corresponds to par value, which is considered as fair market value.

Investment custodians

(a) Central Bank of Venezuela

(b) Caja Venezolana de Valores

(c) Banco Sofitasa Banco Universal, C.A.

(d) Banco Exterior, C.A., Banco Universal

(e) Banesco, C.A., Banco Universal

(f) Delsur Banco Universal, C.A.

(g) Banco del Caribe, C.A., Banco Universal

(h) Bancrecer, S.A. Banco Microfinanciero

(i) Banco Activo, C.A. Banco Universal

Below is the classification of investment securities according to maturity:

	December 31, 2014		June 30, 2014	
	Amortized cost	Fair value	Amortized cost	Fair value
		(In bolivars)		
Up to 6 months	272,110,844	272,589,639	40,212,307	40,212,307
6 months to 1 year	33,745,852	38,613,492	14,832,784	21,970,805
1 to 5 years	404,334,595	448,989,642	366,189,848	411,302,103
Over 5 years	1,073,773,106	1,085,752,364	691,176,301	691,176,302
	1,783,964,397	1,845,945,137	1,112,411,240	1,164,661,517

At December 31, 2014, interest receivable on investment securities amounts to Bs 31,143,063 (Bs 19,730,167 at June 30, 2014).

At December 31 and June 30, 2014, loans and advances to beneficiaries of the length-of-service benefit trust fund are in respect of loans and advances granted to employees guaranteed by their length-of-service benefits deposited in the trust fund. These interest-free and short-term loans are in respect of length-of-service benefit trust fund plans of public and private-sector companies.

At December 31, 2014, loans and advances to beneficiaries of the length-of-service benefit trust fund include Bs 81,592,455 (Bs 63,962,092 at June 30, 2014) from Bank employees; Bs 353,847,948 from private length-of-service benefit trust funds, and Bs 397,012,144 from government agencies (Bs 233,209,763 and Bs 336,218,139, respectively, at June 30, 2014).

At December 31 and June 30, 2014, fiduciary remuneration payable of Bs 2,867,118, and Bs 1,632,332, respectively, is included under other liabilities and relates to commissions payable to the Bank under the trust fund agreements signed between trustors and the Bank as trustee (Note 7). In addition, the commission paid by the trust fund and the trustors to the Bank during the six-month period ended December 31, 2014 amounted to Bs 13,774,265 (Bs 9,297,975 during the six-month period ended June 30, 2014) (Note 19).

At December 31, 2014, length-of-service benefit trust funds in favor of Bank employees amount to Bs 180,990,253 (Bs 141,280,938 at June 30, 2014).

The National Treasury Office published in Official Gazette No. 40,172 of May 22, 2013, Resolution No. 0010 "Administrative Ruling regulating the refund to the Treasury of amounts credited to trust funds set up by the Venezuelan government and its decentralized agencies that have been inactive for over four months." This Resolution establishes that bodies and agencies of the Venezuelan government that have set up trust funds with budgetary resources at public or private banks without having made the corresponding disbursements or payments for periods equal or over four months, with the exception of labor trust funds, shall refund to the National Treasury account both the trust fund capital and the dividends generated. At December 31 and June 30, 2014, the Venezuelan government or its decentralized agencies have not set up trust funds at the Bank.

Debtor accounts from other special trust services (Housing Loan System) and Housing Savings Fund

Debtor accounts from other special trust services (Housing Loan System) and Housing Savings Fund comprise the following:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Assets		
Cash and due from banks (Note 13)	2,293,403	579,458
Investment securities	888,647,331	704,634,872
Loan portfolio	189,067,331	190,190,221
Interest receivable	470,846	515,188
Other assets	2	2
Total assets	1,080,478,913	895,919,741
Liabilities		
Contributions to the Housing Savings Fund	803,620,572	630,199,341
Liabilities to BANAVIH	238,707,081	232,109,192
Total liabilities	1,042,327,653	862,308,533
Income	38,151,260	33,611,208
Total liabilities and income	1,080,478,913	895,919,741

Housing programs, direct subsidies, eligibility schemes, the Guarantee Fund and the Rescue Fund are subject to the Housing Loan Law. They are aimed mostly at families applying for housing loans through the Housing Mutual Fund. Financial institutions authorized by BANAHIV to act as financial operators receive monthly contributions from employers, employees and workers in the private and public sectors to be deposited in a Housing Mutual Fund account on behalf of each employee. These funds will be used to grant short and long-term mortgages for acquisition, construction or improvement of primary residences.

At December 31, 2014, the Bank has an investment trust in BANAVIH for Bs 888,647,331 (Bs 704,634,872 at June 30, 2014) in respect of funds from deposits under the Housing Loan Law collected and transferred by the Bank, shown as investment securities in conformity with the Accounting Manual.

According to the Housing Loan Law, monthly mortgage loan repayments will represent between 5% and 20% of the monthly family income. In addition, these loans will bear interest at the social interest rate set by the People's Power Ministry for Housing.

At December 31, 2014, the Bank has granted loans out of BANAVIH resources of Bs 189,067,331 (Bs 190,190,221 at June 30, 2014). These loans bear annual interest at between 4.66% and 8.55%.

At December 31, 2014, the Housing Savings Fund has 1,848 debtors (1,874 debtors at June 30, 2014).

During the six-month period ended December 31, 2014, the Bank recorded income of Bs 586,322 (Bs 566,735 during the six-month period ended June 30, 2014) from commissions charged to BANAVIH for the administration of resources related to the Mandatory Housing Savings Fund, shown under interest income.

23. Financial instruments with off-balance sheet risk

Credit-related financial instruments
The Bank has outstanding commitments related to letters of credit, guarantees granted and lines of credit to meet the needs of its customers. Since many of its credit commitments may expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. Commitments to extend credit, letters of credit and guarantees granted by the Bank are recorded under memorandum accounts.

a) Guarantees granted
After conducting a credit risk analysis, the Bank provides guarantees to certain customers within their line of credit; they are issued to a beneficiary who may execute the guarantee if the customer fails to comply with the terms of the agreement. At December 31 and June 30, 2014, these guarantees earned annual commissions of 1%. These commissions are recorded monthly while the guarantees are in force.

At December 31, 2014, Bank guarantees amount to Bs 235,992,719 (Bs 365,252,319 at June 30, 2014) (Note 22).

b) Credit limits
Credit limit contractual agreements are granted to customers subject to prior credit risk assessments and, if needed, obtention of any guarantee required by the Bank to cover risk for each customer. These agreements are for specific periods, provided that customers do not default on the terms set forth therein (Note 22).

c) Letters of credit
Letters of credit usually mature within 90 days, and are renewable. They are generally issued to finance a trade agreement for the shipment of goods from a seller to a buyer. At December 31 and June 30, 2014, the Bank charged a commission of between 0.5% and 2% on the amount of letters of credit. Unused letters of credit at December 31, 2014 amount to Bs 169,508,147 (Bs 208,274,167 at June 30, 2014) (Note 22).

The Bank's exposure to credit loss in the event of noncompliance by customers with terms for extended credit, letters of credit and written guarantees is represented by the notional contractual amounts of these credit-related instruments. The credit policies applied by the Bank for these commitments are the same as those for granting loans.

In general, the Bank evaluates customer eligibility before granting credit. The amount of collateral provided, if required by the Bank, is based on customer credit assessment. The type of collateral varies, but may include accounts receivable, property and equipment and investment securities.

24. Convertible bonds

At a Special Shareholders' Meeting on July 19, 2006, a public offering of convertible bonds of up to Bs 50,000,000 was approved, as well as the general terms of the offering. The shareholders also resolved to create a reserve fund for payment of convertible bonds at maturity with a charge to unappropriated surplus. The fund will accrue Bs 2,083,333 quarterly until it reaches the total amount redeemable at maturity. The bond issue was authorized by SUDEBAN through Resolution No. 013-07 of January 22, 2007, published in Official Gazette No. 38,620 on February 6, 2007, and by the SNV through Resolution No. 045-2007 of April 3, 2007.

At a Special Shareholders' Meeting on May 30, 2007, a public offering of convertible bonds of up to Bs 50,000,000 was approved, as well as the general terms of the offering. Under these terms, a reserve fund will be created for payment of convertible bonds at maturity with a charge to unappropriated surplus. The fund will accrue Bs 4,166,667 quarterly and will be created as from the closing of the six-month period following public offering commencement date. The bond issue was authorized by SUDEBAN through Resolution No. 367-07 of October 31, 2007, published in Official Gazette No. 38,809 on November 13, 2007, and by the SNV through Resolution No. 181-2007 of December 7, 2007.

The second public offering of convertible bonds began at the end of December 2007, with annual nominal weighted average interest of the six main commercial and universal banks payable quarterly and maturing in December 2013. This offering was completed in March 2008.

Bondholders may have chosen between receiving principal payments and converting their bonds into Bank shares by paying 1.5 times the equity value of the share at bond maturity.

Convertible bonds of Bs 50,000,000 issued in 2007 matured on December 24, 2013. After expiration of the legal terms, bondholders of convertible bonds for Bs 49,499,991 exercised their right to request conversion of bonds into Bank shares, of which Bs 5,426,976 is in respect of capital stock and Bs 44,073,015 in respect of premiums on the value of these convertible bonds (Note 25). According to the Stock Market Law, the Bank deposited Bs 500,009 in Caja Venezolana de Valores, S.A. to be distributed among the beneficiaries that did not exercise their right to request conversion of bonds into Bank shares.

Through Notice No. SIB-GGIBPV-GIBPV2-06138 of March 7, 2014, SUDEBAN notified the Bank that it must convene a Special Shareholders' Meeting to discuss and inform about the capital increase of Bs 5,426,976, as a consequence of the new shareholding, and to modify its bylaws. At a Special Shareholders' Meeting on April 30, 2014, the aforementioned capital increase for the effect of the capitalization of convertible bonds was ratified. Through Notice No. SIB-GGIBPV-GIBPV2-19335 of June 6, 2014, SUDEBAN agreed to the capital increase, but instructed the Bank to await for its ruling before registering the meeting minute with the Mercantile Registry. Through Notice No. SIB-II-GGR-GA-33673 of October 3, 2014, SUDEBAN authorized the Bank to register the meeting minute with the Mercantile Registry.

25. Equity

a) Capital stock and authorized capital

At December 31 and June 30, 2014, the Bank's paid-in capital amounts to Bs 881,930,372 and Bs 623,930,372, respectively, represented by 881,930,372 and 623,930,372 non-convertible common shares of the same class with a par value of Bs 1 each, fully subscribed and paid-in, respectively. The Bank complies with the minimum capital required under the current legislation.

At a Special Shareholders' Meeting on July 10, 2013, the Board of Directors was authorized to increase capital by Bs 25,000,000 through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. On March 21, 2014, and upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-08450 authorizing the capital increase. On December 2, 2013, through Resolution No. 123, the SNV authorized the aforementioned capital increase. During the six-month periods ended December 31 and June 30, 2014, the Bank received contributions in this connection from its shareholders for Bs 9,187,844 and Bs 35,657,481, respectively, shown under contributions pending capitalization. In addition, in July 2014 all shares for a total of Bs 25,000,000 were placed and capital was increased. Through Notice No. SIB-II-GGR-GA-31341 of September 10, 2014, SUDEBAN authorized the Bank to register the meeting minute with the Mercantile Registry.

At a Special Shareholders' Meeting on July 10, 2013, the Board of Directors was authorized to increase capital by Bs 123,000,000 through non-convertible common shares with a par value of Bs 1 and the capitalization of share premium, recorded under contributions pending capitalization. On October 29, 2013, upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-36789 authorizing the aforementioned capital increase. On July 7, 2014, through Resolution No. DSNV/CJ/1206/2014, the SNV authorized the aforementioned capital increase approved at the Regular Shareholders' Meeting of July 10, 2013.

At a Regular Shareholders' Meeting on September 25, 2013, it was resolved to declare and pay dividends, and to increase capital to up to Bs 110,000,000 as stock dividends with a charge to restricted surplus. On January 30, 2014, and upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-03483 authorizing the aforementioned capital increase. On July 14, 2014, through Resolution No. 066, the SNV authorized the aforementioned capital increase approved at the Regular Shareholders' Meeting of September 25, 2013.

At a Special Shareholders' Meeting on March 26, 2014, the Board of Directors was authorized to increase capital by Bs 100,000,000 through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. On July 8, 2014, upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-23218 authorizing the aforementioned capital increase. On December 3, 2014, through Resolution No. DSNV/CJU/1933/2014, the SNV authorized the aforementioned capital increase. During the six-month periods ended December 31 and June 30, 2014, the Bank received contributions in this connection from its shareholders for Bs 592,634,297 and Bs 28,535,126, respectively, shown under contributions pending capitalization.

At a Regular Shareholders' Meeting on March 26, 2014, it was resolved to declare and pay dividends, and to increase capital to up to Bs 150,000,000 as stock dividends with a charge to restricted surplus. On October 30, 2014, and upon authorization from OSFIN, SUDEBAN issued Notice No. SIB-II-GGR-GA-37384 authorizing the aforementioned capital increase. To date, the Bank is awaiting approval from the SNV.

At a Regular Shareholders' Meeting on September 24, 2014, it was resolved to declare and pay dividends, and to increase capital to up to Bs 190,000,000 with a charge to restricted surplus. To date, the Bank is awaiting response from SUDEBAN and the SNV.

Shares subscribed by shareholders for the six-month periods ended December 31 and June 30, 2014 are identified as non-convertible common shares as follows:

	December 31, 2014		June 30, 2014	
	Number of shares	Equity %	Number of shares	Equity %
Shareholders				
Nogueroles García, Jorge Luis	85,262,614	9,6677	61,317,092	9,8276
Nogueroles López, José María	57,579,978	6,5289	41,673,137	6,6791
Halabi Harb, Anuar	51,450,394	5,8338	36,336,438	5,8238
Alintio International, S.L.	43,625,644	4,9466	30,863,395	4,9466
Valores Torre Casa, C.A.	39,417,970	4,4695	27,886,636	4,4695
De Guruceaga López, Gonzalo Francisco	35,238,937	3,9957	24,927,345	3,9952
Curbelo Pérez, Juan Ramón	34,785,445	3,9442	24,606,517	3,9438
Zasuma Inversiones, C.A.	33,836,198	3,8366	23,934,963	3,8362
Sucesión Talayero Tamayo, Alvaro José	32,500,834	3,6852	22,993,037	3,6852
Inversiones Clatal, C.A.	28,225,168	3,2004	19,965,385	3,1999
Puig Miret, Jaime	20,735,561	2,3512	14,937,188	2,3940
Tamayo Degwitz, Carlos Enrique	18,038,148	2,0453	12,840,109	2,0579
García Arroyo, Sagrario	17,536,118	1,9884	12,403,311	1,9879
Inversiones Tosuman, C.A.	16,407,856	1,8604	11,605,110	1,8600
Teleacción A.C., C.A.	16,407,850	1,8604	11,605,105	1,8600
Kozma Ingenuo, Alejandro Nicolás	15,416,211	1,7480	11,340,451	1,8176
Kozma Ingenuo, Carolina María	15,416,211	1,7480	11,340,451	1,8176
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	12,270,142	1,3913	8,671,497	1,3898
Herrera de la Sota, Mercedes de la Concepción	10,815,065	1,2263	7,749,426	1,2420
Juan Huerta, Salvador	10,464,379	1,1865	7,699,762	1,2341
Kozma Solymosy, Nicolás A.	10,195,803	1,1561	6,336,553	1,0156
Mouada, Chaar Chaar	10,018,202	1,1359	7,084,687	1,1355
Benacerraf Herrera, Jorge Fortunato	9,891,384	1,1216	7,087,759	1,1360
Benacerraf Herrera, Andrés Gonzalo	9,891,384	1,1216	7,087,759	1,1360
Benacerraf Herrera, Mercedes Cecilia	9,891,384	1,1216	7,087,759	1,1360
Nogueroles García, María Montserrat	9,672,413	1,0967	6,840,054	1,0963
Inversiones Fernandez, S.A.	9,383,825	1,0640	6,635,890	1,0636
Inversora Diariveca, C.A.	9,096,166	1,0314	6,432,382	1,0309
Somoza Mosquera, David	8,746,527	0,9917	6,185,027	0,9913
Cedeño, Eligio	8,627,562	0,9783	6,348,220	1,0175
Eurobuilding Internacional, C.A.	8,324,607	0,9439	5,886,535	0,9435
D'Alessandro Bello, Nicolas Gerardo	8,152,382	0,9244	5,764,694	0,9239
Fondo de Jubilaciones y Pensiones de la U.D.O.	7,379,958	0,8368	5,221,025	0,8368
Other	167,228,052	18,9616	115,235,673	18,4693
	881,930,372	100,0000	623,930,372	100,0000

b) Capital reserves and retained earnings

Based on the provisions set out in its bylaws and the Law on Banking Sector Institutions, the Bank makes an appropriation to the legal reserve every six months equivalent to 20% of its biannual net income until the reserve reaches 50% of its capital stock. Once the legal reserve reaches this amount, the Bank's appropriation to the legal reserve will be 10% of its biannual net income until the reserve covers 100% of its capital stock.

At December 31 and June 30, 2014, capital reserves include Bs 996,124 in respect of voluntary reserves.

Through Notice No. SIB-II-GGIBPV-GIBPV2-07778 issued on March 30, 2011, SUDEBAN informed the Bank that profit generated by Branch operations should be considered restricted surplus. During the six-month period ended December 31, 2014, the Bank reclassified Branch income of Bs 2,927,647 for the six-month period then ended (Bs 6,450,845 for the six-month period ended June 30, 2014).

Through Notice No. SIB-II-GGIBPV-GIBPV2- 20386 issued on June 17, 2013, SUDEBAN requested the Bank to make an adjustment of Bs 1,995,302, in connection with exchange gains of the Branch, through a debit to unappropriated surplus and a credit to financial and deferred income, included in the balance sheet under accruals and other liabilities.

Resolution No. 305.11 issued by SUDEBAN on November 28, 2011 was published in Official Gazette No. 39,820 on December 14, 2011. This Resolution relates to the "Regulations Governing the Social Contingency Fund" and establishes the guidelines to account for the social fund, in conformity with Article No. 45 of the Law on Banking Sector Institutions.

On March 23, 2012, the Bank created the social fund through an investment trust fund with Banco Exterior, C.A. Banco Universal, in conformity with Resolution No. 305-11 published in the Official Gazette on December 14, 2011. The Bank made the respective accounting entries with a charge to restricted investments and a credit to cash maintained with the BCV.

At December 31, 2014, the Bank recorded the social contingency fund of Bs 5,622,956, which includes capital and interest (Bs 3,119,652 at June 30, 2014) with a charge to unappropriated surplus and a credit to capital reserves. In addition, the Bank recorded Bs 679,234 under capital reserves in connection with interest earned during the six-month period ended December 31, 2014. On January 6, 2015, the Bank transferred Bs 4,409,652 (Bs 3,119,652 on July 7, 2014) to the investment trust fund with Banco Exterior and made the accounting record with a debit to restricted investments and a credit to cash maintained at the BCV.

In compliance with SUDEBAN Resolution No. 329-99, during the six-month period ended December 31, 2014, the Bank reclassified Bs 292,078,354 (Bs 190,719,118 at June 30, 2014) to restricted surplus, equivalent to 50% of income for the six-month period, net of appropriations to reserves and Branch income. At December 31 and June 30, 2014, restricted surplus amounts to Bs 814,719,670 and Bs 632,641,316, respectively. These amounts may be used for capital stock increase, but not for cash dividend distribution.

Below is the movement in restricted surplus balances:

	Resolution No. 329-99
	(In bolivars)
Balance at December 31, 2013	441,922,198
Appropriation of 50% of income for the period	190,719,118
Balance at June 30, 2014	632,641,316
Capital stock increase	(110,000,000)
Appropriation of 50% of income for the period	292,078,354
Balance at December 31, 2014	814,719,670

c) Exchange gain from holding foreign currency assets and liabilities

Exchange gain from holding foreign currency assets and liabilities at December 31 and June 30, 2014 comprises the following:

	(In bolivars)
Balance at December 31, 2013	431,509,292
Net gain on sale of foreign currency assets through SICAD II	675,499,842
Balance at June 30, 2014	1,107,009,134
Net gain on sale of foreign currency assets through SICAD II	249,495
Balance at December 31, 2014	1,107,258,629

Through Resolution No. 048-14 of April 1, 2014, SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders in SICAD II. These benefits shall be recorded in equity under exchange gain from holding foreign currency assets and liabilities.

d) Risk-based capital ratio
Through Resolution No. 305-09 of July 2009, SUDEBAN establishes the following in connection with risk-based capital ratio: a) contributions pending capitalization and Treasury stock are considered as primary equity (Tier 1); b) goodwill and investments in Venezuelan financial subsidiaries or affiliates must be deducted from the primary equity (Tier 1); and c) 50% of pending cash items, overnight deposits and deposits and credits related to microcredits, agriculture, manufacturing and tourism activities must be included into the risk category. Furthermore, this Resolution establishes a new 75% risk weighting applicable to overnight deposits in local currency.

At December 31 and June 30, 2014, the minimum total risk-based capital and equity-to-total assets (solvency ratio) will be 12% and 9%, respectively.

Ratios required and maintained by the Bank, in accordance with SUDEBAN rules, have been calculated based on its published financial statements, as indicated below:

	December 31, 2014		June 30, 2014	
	Required %	**Maintained %**	**Required %**	**Maintained %**
Total risk-based capital	12	15.35	12	16.62
Equity-to-total assets	9	9.03	9	9.19

Through Resolution No. 117.14 of August 9, 2014, SUDEBAN established that banking institutions should maintain the capital to risk asset ratio provided in Article No. 6 of Resolution No. 305-09 dated July 9, 2009 in no less than 9%. Criteria concerning frequency and calculation are maintained.

26. Balances and transactions with related companies

In the ordinary course of business, the Bank conducts commercial transactions with related companies. Because of those relationships, certain transactions may have taken place on terms other than those that would characterize transactions between unrelated companies.

A breakdown of the Bank's balances and transactions with its related company Caracas International Banking Corporation is provided below:

	December 31, 2014	June 30, 2014
	(In bolivars)	
Assets		
Cash and due from banks		
Foreign and correspondent banks, equivalent to US$39,480 (US$39,815 at June 30, 2014)	248,099	250,204
Liabilities		
Borrowings (Note 14)		
Interest-bearing checking accounts, with 0.25% annual interest	392,504	693,851
Expenses for the period		
Interest expense		
Expenses from borrowings	2,105	-

27. Social Bank Deposit Protection Fund

Venezuelan financial institutions regulated by the Law on Banking Sector Institutions are required to pay fees to the Social Bank Deposit Protection Fund (FOGADE). Among other things, FOGADE guarantees customer deposits up to a given amount per depositor.

Through Decree No. 7,207, published in Official Gazette No. 39,358 on February 1, 2010, the Venezuelan government set at 0.75% the monthly fee that banks must pay to FOGADE through monthly premiums equivalent to one-sixth of 0.75% of the total amount of customer deposits at the end of each semester prior to the payment date, calculated in accordance with instructions issued by FOGADE. This fee is shown under operating expenses.

28. Special fee paid to the Superintendency of Banking Sector Institutions

The Law on Banking Sector Institutions requires Venezuelan banks and financial institutions regulated by this Law to pay a special fee to support SUDEBAN operations.

Through Resolution No. 001-13, published in Official Gazette No. 40,089 on January 14, 2013, SUDEBAN published the instructions for payment of fees by companies regulated by SUDEBAN and banks regulated by special laws.

At December 31 and June 30, 2014, the biannual fee is 0.06% of the average of the Bank's assets; it is payable monthly. This fee is shown under operating expenses.

Resolution No. SIB-II-GGR-GNP-03879 of February 4, 2015 establishes that the fee payable by entities regulated by SUDEBAN for the first semester of 2015 shall be 0.08% of the average of the Bank's assets for the immediately prior period.

29. Legal reserve

The BCV requires financial institutions to maintain a minimum legal reserve deposit at the BCV equal to a percentage of their placements, deposits, liabilities and investments assigned, excluding liabilities with the BCV, FOGADE and other financial institutions; liabilities arising from funds received from the Venezuelan government, local or foreign entities to finance special programs in the country (once these funds have been allocated); liabilities arising from funds received from financial institutions to finance and promote exports as required by Law (once these funds have been allocated); and liabilities in foreign currency resulting from its offices abroad and those resulting from transactions with other banks and financial institutions for which the latter have, in turn, created a reserve pursuant to the legal reserve regulations. Liabilities arising from resources provided by Mandatory Housing Savings Funds required under the Venezuelan Housing Loan Law and managed by financial institutions in trust funds will not be computed. In addition, through Resolutions No. 12-05-02 and No. 13-04-01 published in Official Gazettes No. 39,933 and No. 40,155 on May 30, 2012 and on April 26, 2013, respectively, the BCV reduced the legal reserve amount to be allocated by financial institutions that purchased dematerialized certificates of participation issued by the Simón Bolívar Fund by the balance of such certificates. For the six-month periods ended December 31 and June 30, 2014, the Bank maintains Bs 877,064,242 in this connection (Note 5-b).

The legal reserve must be maintained in legal tender, regardless of the currency of the transactions from which it originated (Note 3).

30. Contingencies

At December 31, 2014, the Bank is defendant in the following legal proceedings:

Labor
The Bank has received legal claims from individuals in respect of length-of-service and other labor-related benefits amounting to Bs 60,741,792 and Bs 58,229,026 at December 31 and June 30, 2014, respectively. In the opinion of Bank management and its external legal advisors, these claims are not well grounded in law and, therefore, should not have a material adverse effect on the Bank's financial position and results of operations.

Bank management and its legal advisors believe that most of these assessments are not well grounded in law and, consequently, that the outcome of these claims will be favorable to the Bank. At December 31 and June 30, 2014, the Bank has set aside no provision in this connection.

Except for the aforementioned assessments, management is not aware of any other pending tax, labor or other claim that may have a significant effect on the Bank's financial position or result of operations.

31. Maturity of financial assets and liabilities

Below is a breakdown of the estimated maturity of financial assets and liabilities:

	December 31, 2014							
	Maturity							
	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	June 30, 2017	December 31, 2017	Beyond December 2017	Total
	(In bolivars)							
Assets								
Cash and due from banks	20,462,610,849	-	-	-	-	-	-	20,462,610,849
Investment securities	881,984,752	277,337,371	891,386,159	460,821,832	910,984,907	184,355,085	10,438,575,672	14,045,445,778
Loan portfolio	19,809,962,035	4,024,875,395	1,454,903,809	2,480,103,795	1,157,542,048	2,156,152,999	4,916,083,076	35,999,623,157
Interest and commissions receivable	528,640,777	-	-	-	-	-	-	528,640,777
	41,683,198,413	4,302,212,766	2,346,289,968	2,940,925,627	2,068,526,955	2,340,508,084	15,354,658,748	71,036,320,561
Liabilities								
Customer deposits	65,481,389,551	197,177,733	-	-	-	-	-	65,678,567,284
Borrowings	2,358,876	-	-	-	-	-	-	2,358,876
Liabilities from financial intermediation	11,666,667	-	-	-	-	-	-	11,666,667
Interest and commissions payable	83,570,512	-	-	-	-	-	-	83,570,512
	65,578,985,606	197,177,733	-	-	-	-	-	65,776,163,339

	June 30, 2014							
	Maturity							
	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016	June 30, 2017	Beyond June 2017	Total
	(In bolivars)							
Assets								
Cash and due from banks	15,703,648,751	-	-	-	-	-	-	15,703,648,751
Investment securities	266,812,114	915,442,942	56,519,246	1,060,258,455	419,349,930	667,937,597	10,212,163,645	13,598,483,929
Loan portfolio	13,946,344,409	2,685,299,631	724,569,296	889,327,282	1,236,928,638	1,431,042,026	4,833,532,513	25,747,043,795
Interest and commissions receivable	437,144,445	-	-	-	-	-	-	437,144,445
	30,353,949,719	3,600,742,573	781,088,542	1,949,585,737	1,656,278,568	2,098,979,623	15,045,696,158	55,486,320,920
Liabilities								
Customer deposits	50,826,571,380	253,886,862	60,092,000	-	-	-	-	51,140,550,242
Borrowings	64,259,289	-	-	-	-	-	-	64,259,289
Liabilities from financial intermediation	25,485,703	-	-	-	-	-	-	25,485,703
Interest and commissions payable	56,037,205	-	-	-	-	-	-	56,037,205
	50,972,353,577	253,886,862	60,092,000	-	-	-	-	51,286,332,439

32. Fair value of financial instruments

The estimated fair value of the Bank's financial instruments, their book value, and the main assumptions and methodology used to estimate their fair values are shown below:

	December 31, 2014		June 30, 2014	
	Book value	Estimated fair value	Book value	Estimated fair value
	(In bolivars)			
Assets				
Cash and due from banks	20,462,610,849	20,462,610,849	15,703,648,751	15,703,648,751
Investment securities, net	14,045,345,778	13,935,737,590	13,598,383,929	13,484,563,391
Loan portfolio, net	35,206,843,904	35,206,843,904	25,215,993,960	25,215,993,960
Interest and commissions receivable, net	524,382,914	524,382,914	431,120,045	431,120,045
	70,239,183,445	70,129,675,257	54,949,146,685	54,835,326,147
Liabilities				
Customer deposits	65,678,567,284	65,678,567,284	51,140,550,242	51,140,550,242
Interest and commissions payable	83,570,512	83,570,512	56,037,205	56,037,205
Other liabilities from financial intermediation	11,666,667	11,666,667	25,485,703	25,485,703
Borrowings	2,358,876	2,358,876	64,259,289	64,259,289
	65,776,163,339	65,776,163,339	51,286,332,439	51,286,332,439

Short-term financial instruments

Short-term financial instruments, both assets and liabilities, are shown in the balance sheet at book value, which does not significantly differ from fair value due to their short-term maturity. These instruments include cash and due from banks, customer deposits with no fixed maturity and short-term maturity, short-term borrowings, other liabilities from financial intermediation with short-term maturity, and interest receivable and payable.

Investment securities

The fair value of investments in available-for-sale and held-to-maturity securities was determined using quoted market prices, reference prices determined from trading operations on the secondary market, the present value of estimated future cash flows and quoted market prices of financial instruments with similar characteristics (Note 5-a and b). Investments in other securities are shown at par value, which is considered as fair value (Note 5-e). The equivalent fair value in bolivars of securities in foreign currency is calculated using the official exchange rate.

Loan portfolio

The Bank's loan portfolio earns interest at variable rates that are reviewed regularly. In addition, allowances are made for loans with some risk of recovery. Therefore, in management's opinion, the book value of the loan portfolio approximates its fair value.

Customer deposits and long-term liabilities

Customer deposits and long-term liabilities bear interest at variable rates, which are reviewed regularly. Therefore, management considers fair value to be equivalent to book value.

33. Legally established limits for loans and investments

At December 31 and June 30, 2014, the Bank does not have loans with economic groups that individually exceed 10% of the Bank's equity and does not maintain investments or loans exceeding the limits established in the Law on Banking Sector Institutions.

34. Supplementary information - Inflation-adjusted financial statements

The Bank's inflation-adjusted financial statements, prepared in accordance with the GPL method (Note 2), are provided below as supplementary information:

Supplementary balance sheet
December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In constant bolivars at December 31, 2014)	
Assets		
Cash and due from banks	20,462,610,849	20,491,691,255
Cash	2,046,443,087	2,080,579,226
Central Bank of Venezuela	16,674,868,432	16,262,457,723
Venezuelan banks and other financial institutions	50,719	272,136
Foreign and correspondent banks	413,248,941	543,403,257
Pending cash items	1,328,337,742	1,604,988,768
(Provision for cash and due from banks)	(338,072)	(9,855)
Investment securities	14,045,345,778	17,744,531,189
Deposits with the BCV and overnight deposits	225,000,000	587,205,000
Investments in available-for-sale securities	4,612,645,386	6,492,303,606
Investments in held-to-maturity securities	5,171,158,548	6,902,661,295
Restricted investments	72,552,100	52,113,572
Investments in other securities	3,964,089,744	3,710,378,206
(Provision for investment securities)	(100,000)	(130,490)
Loan portfolio	35,206,843,904	32,904,350,518
Current	35,872,477,244	33,393,722,948
Rescheduled	109,846,710	181,597,430
Overdue	17,299,203	21,997,071
(Allowance for losses on loan portfolio)	(792,779,253)	(692,966,931)
Interest and commissions receivable	524,382,914	562,568,547
Interest receivable on investment securities	224,124,392	289,250,531
Interest receivable on loan portfolio	301,649,267	279,049,226
Commissions receivable	2,867,118	2,130,030
(Provision for interest receivable and other)	(4,257,863)	(7,861,240)
Investments in subsidiaries, affiliates and branches	-	-
Available-for-sale assets	1,369,416	7,264,699
Property and equipment	3,078,144,275	2,840,643,554
Other assets	1,305,843,322	1,039,495,777
Total assets	74,624,540,458	75,590,545,539

Supplementary balance sheet
December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In constant bolivars at December 31, 2014)	
Liabilities and Equity		
Customer deposits	65,678,567,284	66,733,304,009
Demand deposits	47,136,733,298	49,060,927,313
Non-interest-bearing checking accounts	31,674,664,748	29,813,983,775
Interest-bearing checking accounts	7,711,219,365	10,450,987,327
Checking accounts under Exchange Agreement No. 20	142,938,821	414,050,527
Demand deposits and certificates	7,607,910,364	8,381,905,684
Other demand deposits	712,919,585	848,000,037
Savings deposits	14,313,243,665	13,428,097,874
Time deposits	3,481,047,991	3,316,502,017
Restricted customer deposits	34,622,745	79,776,768
Borrowings	2,358,876	83,851,946
Venezuelan financial institutions, up to one year	1,339,678	944,014
Foreign financial institutions, up to one year	1,019,198	82,907,932
Other liabilities from financial intermediation	11,666,667	33,256,294
Interest and commissions payable	83,570,512	73,122,949
Expenses payable on customer deposits	83,570,512	72,950,933
Expenses payable on other liabilities	-	172,016
Accruals and other liabilities	1,178,730,340	1,302,627,812
Total liabilities	66,954,893,679	68,226,163,010
Equity		
Inflation-adjusted capital stock	5,642,871,904	4,843,176,263
Contributions pending capitalization	1,074,611,597	948,612,954
Capital reserves	1,726,340,641	1,654,806,856
Retained earnings, net of accumulated loss from net monetary position	(3,223,140,598)	(2,498,599,717)
Exchange gain from holding foreign currency assets and liabilities	2,273,848,767	2,273,536,150
Net unrealized gain on investments in available-for-sale-securities	175,114,468	142,850,023
Total equity	7,669,646,779	7,364,382,529
Total liabilities and equity	74,624,540,458	75,590,545,539

Supplementary income statement
Six-month periods ended December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In constant bolivars at December 31, 2014)	
Interest income	4,177,009,541	3,842,278,586
Income from cash and due from banks	121,090	32,467
Income from investment securities	823,294,579	946,613,396
Income from loan portfolio	2,946,901,596	2,711,557,006
Income from other accounts receivable	406,679,547	184,042,549
Other interest income	12,729	33,168
Interest expense	(1,420,254,213)	(1,263,662,506)
Expenses from customer deposits	(1,415,946,293)	(1,247,513,674)
Expenses from borrowings	(3,257,985)	(1,074,690)
Other interest expense	(1,049,935)	(15,074,142)
Gross financial margin	2,756,755,328	2,578,616,080
Income from financial assets recovered	9,878,752	7,803,729
Expenses from uncollectible loans and other accounts receivable	(317,022,283)	(249,880,645)
Expenses from provision for cash and due from banks	(339,791)	(16,666)
Net financial margin	2,449,272,006	2,336,522,498
Other operating income	619,120,517	688,624,405
Other operating expenses	(248,791,062)	(398,147,826)
Financial intermediation margin	2,819,601,461	2,626,999,077
Operating expenses	(2,157,364,838)	(2,063,728,534)
Salaries and employee benefits	(615,962,938)	(589,553,491)
General and administrative expenses	(1,130,317,601)	(1,065,116,488)
Fees paid to the Social Bank Deposit Protection Fund	(377,179,778)	(376,517,048)
Fees paid to the Superintendency of Banking Sector Institutions	(33,904,521)	(32,541,507)
Gross operating margin	662,236,623	563,270,543
Income from available-for-sale assets	412,255	58,104,275
Sundry operating income	13,551,894	71,426,850
Expenses from available-for-sale assets	(6,116,380)	(15,168,449)
Sundry operating expenses	(77,860,679)	(85,199,878)
Net operating margin	592,223,713	592,433,341
Extraordinary income	1,141,126	(2,328,520)
Extraordinary expenses	(11,380,316)	(3,701,684)
Gross income before tax and loss from net monetary position	581,984,523	586,403,137
Income tax	(636,170)	(1,663,494)
Income before loss from net monetary position	581,348,353	584,739,643
Loss from net monetary position	(926,528,556)	(870,992,483)
Net loss	(345,180,203)	(286,252,840)

Supplementary statement of changes in equity
Six-month periods ended December 31 and June 30, 2014

	Restated paid-in capital								
	Nominal	Inflation adjustment	Total	Share premium and contributions pending capitalization	Capital reserves	Retained earnings	Exchange gain from holding foreign currency assets and liabilities	Unrealized gain on investment securities	Total equity
				(In constant bolivars at December 31, 2014)					
Balances at December 31, 2013	623,930,372	,219,245,891	4,843,176,263	857,095,082	1,524,196,907	(2,079,133,257)	1,298,690,557	459,469,595	6,903,495,147
Contributions pending capitalization	-	-	-	91,517,872	-	-	-	-	91,517,872
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	(106,112,987)	(106,112,987)
Effect of restating unrealized gain on investments in available-for-sale securities	-	-	-	-	-	-	-	(210,506,585)	(210,506,585)
Adjustment per SUDEBAN instructions through Notice No. SIB-II-GGIBPV-GIBPV2-20386 of June 17, 2014	-	-	-	-	-	(2,603,671)	-	-	(2,603,671)
Net gain on sale of foreign currency assets through SICAD II	-	-	-	-	-	-	974,845,593	-	974,845,593
Net loss	-	-	-	-	-	(286,252,840)	-	-	(286,252,840)
Appropriation to the legal reserve	-	-	-	-	126,539,115	(126,539,115)	-	-	-
Creation of the Social Contingency Fund	-	-	-	-	4,070,834	(4,070,834)	-	-	-
Balances at June 30, 2014	623,930,372	,219,245,891	4,843,176,263	948,612,954	1,654,806,856	(2,498,599,717)	2,273,536,150	142,850,023	7,364,382,529
Contributions pending capitalization	-	-	-	617,188,157	-	-	-	-	617,188,157
Capital increase through public offering of shares	25,000,000	14,053,814	39,053,814	(39,053,814)	-	-	-	-	-
Capital increase through capitalization of share premium	123,000,000	329,135,700	452,135,700	(452,135,700)	-	-	-	-	-
Capital increase through capitalization of retained earnings	110,000,000	198,506,127	308,506,127	-	-	(308,506,127)	-	-	-
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	65,642,460	65,642,460
Effect of restating unrealized gain on investments in available-for-sale securities	-	-	-	-	-	-	-	(33,378,015)	(33,378,015)
Net gain on sale of foreign currency assets through SICAD II	-	-	-	-	-	-	312,617	-	312,617
Net loss	-	-	-	-	-	(345,180,203)	-	-	(345,180,203)
Appropriation to the legal reserve	-	-	-	-	65,231,595	(65,231,595)	-	-	-
Creation of the Social Contingency Fund	-	-	-	-	6,302,190	(5,622,956)	-	-	679,234
Balances at December 31, 2014	881,930,372	,760,941,532	5,642,871,904	1,074,611,597	1,726,340,641	(3,223,140,598)	2,273,848,767	175,114,468	7,669,646,779

Supplementary cash flow statement
Six-month periods ended December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In constant bolivars at December 31, 2014)	
Cash flows from operating activities		
Net income	(345,180,203)	(286,252,840)
Adjustments to reconcile net income to net cash provided by operating activities		
Allowance for losses on loan portfolio	316,415,083	246,067,527
Provision for interest receivable	607,200	-
Provision for other assets	21,254,854	17,206,105
Release of provision for other assets	-	(239,584)
Depreciation of property and equipment and amortization of available-for-sale and other assets	201,628,130	201,538,645
Accrual for length-of-service benefits	113,462,078	105,453,626
Transfers to trust fund and payment of length-of-service benefits	(69,424,085)	86,233,917
Income tax provision	18,969	1,663,494
Deferred tax asset	617,201	(65,557)
Net change in		
Overnight deposits	362,205,000	418,967,765
Interest and commissions receivable	35,902,084	(35,025,024)
Other assets	(360,634,637)	(120,496,891)
Accruals and other liabilities	(158,562,172)	(497,812,985)
Net cash provided by operating activities	118,309,502	137,238,198
Cash flows from financing activities		
Contributions pending capitalization	617,188,157	91,517,872
Net change in		
Customer deposits	(1,054,736,725)	1,453,230,589
Borrowings	(81,493,070)	80,800,396
Other liabilities from financial intermediation	(21,589,627)	(152,218,469)
Interest and commissions payable	10,447,563	42,357,511
Net cash provided by (used in) financing activities	(530,183,702)	1,515,687,899
Cash flows from investing activities		
Loans granted during the period	(27,256,011,208)	(21,687,832,041)
Loans collected during the period	24,629,386,826	21,649,504,982
Equity adjustments for participation in SICAD II transactions	312,617	974,845,593
Net change in		
Investments in available-for-sale securities	1,911,892,175	1,801,868,130
Investments in held-to-maturity securities	1,731,502,747	(1,319,957,131)
Restricted investments	(19,759,294)	5,414,992
Investments in other securities	(253,711,538)	(372,768,240)
Available-for-sale assets	5,895,283	44,047,665
Property and equipment	(366,713,814)	(288,578,702)
Net cash provided by investing activities	382,793,794	806,545,248
Cash and due from banks		
Net change in cash and cash equivalents	(29,080,406)	2,459,471,345
At the beginning of the period	20,491,691,255	18,032,219,910
At the end of the period	20,462,610,849	20,491,691,255
Loss from net monetary position		
In operating activities	(151,643,453)	(159,662,851)
In financing activities	15,621,836,743	15,119,109,602
In investing activities	(11,608,679,342)	(11,665,957,470)
From holding cash	(4,788,042,504)	(4,164,481,764)
	(926,528,556)	(870,992,483)

Supplementary cash flow statement
Six-month periods ended December 31 and June 30, 2014

	December 31, 2014	June 30, 2014
	(In constant bolivars at December 31, 2014)	
Supplementary information on non-cash activities		
Write-off of uncollectible loans (principal)	16,091,321	-
Write off of uncollectible loans (interest)	619,379	-
Reclassification of excess in		
Allowance for losses on loan portfolio to provision for contingent loans	(9,392,262)	(200,022)
Provision for interest receivable to allowance for losses on loan portfolio	1,676,349	-
Provision for interest receivable to provision for contingent loans	-	(5,147,371)
Net change in unrealized gain (loss) on investments in available-for-sale securities	65,642,460	(210,506,585)
Effect of inflation on unrealized gain on investments in available-for-sale- securities	(33,378,015)	(106,112,987)
Creation of the Social Contingency Fund	5,622,956	4,070,834
Reclassification of equity to deferred income per SUDEBAN instructions	-	2,603,671

Property and equipment

Property and equipment comprises the following:

	December 31, 2014			June 30, 2014		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
	(In constant bolivars at December 31, 2014)					
Land	238,531,477	-	238,531,477	202,903,356	-	202,903,356
Buildings and facilities	1,895,160,545	(225,286,316)	1,669,874,229	1,858,023,062	(202,148,932)	1,655,874,130
Computer hardware	628,361,038	(428,485,286)	199,875,752	538,202,210	(391,578,570)	146,623,640
Furniture and equipment	1,411,878,914	(657,252,918)	754,625,996	1,256,313,701	(592,420,831)	663,892,870
Vehicles	34,007,426	(27,668,349)	6,339,077	34,823,027	(27,120,846)	7,702,181
Construction in progress	187,782,342	-	187,782,342	142,531,975	-	142,531,975
	4,395,721,742	(1,338,692,869)	3,057,028,873	4,032,797,331	(1,213,269,179)	2,819,528,152
Other property	21,115,402	-	21,115,402	21,115,402	-	21,115,402
	4,416,837,144	(1,338,692,869)	3,078,144,275	4,053,912,733	(1,213,269,179)	2,840,643,554

Monetary assets and liabilities

Monetary assets and liabilities, including amounts in foreign currency are, by their nature, shown in terms of purchasing power at December 31, 2014. The result from monetary position reflects the loss or gain resulting from maintaining a net monetary asset or net monetary liability position during an inflationary period and is shown separately in the income statement.

Nonmonetary assets and liabilities

These components (property and equipment, available-for-sale assets and deferred charges) have been restated based on their dates of origin and are shown at restated cost by the GPL method.

Equity

All equity accounts have been restated based on their dates of origin and are shown in constant currency at December 31, 2014. Stock dividends declared, as well as voluntary, statutory or similar reserves are dated based on their dates of origin as equity and not on their capitalization date. Cash dividends are adjusted based on the date they were declared.

Income statement

Operating income and expenses have been restated by multiplying them by the factor obtained from dividing the NCPI at December 31, 2014 by the NCPI at the dates on which they were earned or incurred. Costs and expenses in respect of nonmonetary items have been adjusted based on the previously restated nonmonetary items to which they relate.

Analysis of monetary result for the period

An analysis of the monetary result for the period is provided below:

	Six-month periods ended	
	December 31, 2014	**June 30, 2014**
	(In constant bolivars at December 31, 2014)	
Net monetary asset position at the beginning of the period	3,788,630,208	3,110,338,988
Transactions that increased net monetary position		
Income	4,821,114,085	4,665,909,325
Changes in equity	679,234	(2,603,671)
Contributions pending capitalization	617,188,157	91,517,872
Gain on sale of foreign currency assets through SICAD II (Note 25)	312,617	974,845,593
Sale price of available-for-sale assets	2,838,998	95,592,154
Subtotal	5,442,133,091	5,825,261,273
Transactions that decreased net monetary position		
Expenses	4,032,036,391	4,081,169,681
Additions to property and equipment, deferred charges and other	413,436,195	194,807,889
Subtotal	4,445,472,586	4,275,977,570
Estimated net monetary asset position at the end of the period	4,785,290,713	4,659,622,691
Net monetary asset position at the end of the period	3,858,762,157	3,788,630,208
Loss from net monetary position	926,528,556	870,992,483